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United Nations

Voluntary funds administered by the United Nations High Commissioner for Refugees

Financial report and audited financial statements

for the year ended 31 December 2017

and

Report of the Board of Auditors

General Assembly
Official Records
Seventy-third Session
Supplement No. 5F

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Report of the Board of Auditors

United Nations • New York, 2018

Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Letters of transmittal

Letter dated 30 March 2018 from the Controller and Director of the Division of Financial and Administrative Management of the Office of the United Nations High Commissioner for Refugees and the United Nations High Commissioner for Refugees addressed to the Chair of the Board of Auditors

Pursuant to the financial rules for voluntary funds administered by the Office of the United Nations High Commissioner for Refugees, we have the honour to submit the financial statements for the year ended 31 December 2017, certified and approved in accordance with article 11.3 of those rules (A/AC.96/503/Rev.10).

We confirm, to the best of our knowledge and belief, and having made appropriate enquiries with other officials of the organization, the following representations in connection with your audit of the financial statements of the United Nations High Commissioner for Refugees for the year ended 31 December 2017:

1. We are responsible for preparing financial statements that properly present the activities of the organization, and for making accurate representations to you. All of the accounting records and related information have been made available for the purposes of your audit, and all of the transactions that occurred in the financial period have been properly reflected in the financial statements and recorded by the organization in the accounting and other records.

2. The financial statements have been prepared and presented in accordance with:

(a) The International Public Sector Accounting Standards;

(b) The Financial Regulations of the United Nations;

(c) The financial rules for voluntary funds administered by the High Commissioner for Refugees;

(d) The accounting policies of the organization, as summarized in note 2 to the financial statements.

3. The property, plant and equipment, the intangible assets and the inventories disclosed, respectively, in notes 3.5, 3.6 and 3.3 to the financial statements are owned by the organization and are free from any charge.

4. The value of cash, cash equivalents and investments recorded is not impaired and, in our opinion, is fairly stated.

5. All material accounts receivable have been included in the financial statements and represent valid claims against debtors. Apart from the estimated uncollectable amounts, recorded under the allowance for doubtful accounts, we expect all significant accounts receivable at 31 December 2017 to be collected.

6. All known accounts payable and accruals have been included in the financial statements.

7. The commitments of the Office of the United Nations High Commissioner for Refugees (UNHCR) for the acquisition of goods and services, as well as the capital commitments contracted but not delivered as at 31 December 2017, have been disclosed in note 9.2 of the financial statements. Commitments for future expenses have not been recognized as liabilities.

8. All known legal or contingent liabilities as at 31 December 2017 have been disclosed in note 9.3 of the financial statements.

9. All expenses reported during the period were incurred in accordance with the financial rules of the organization and any specific donor requirements.

10. All losses of cash or receivables, ex gratia payments, presumptive fraud and fraud, wherever incurred, were communicated to the Board of Auditors.

11. Disclosures were made, in the financial statements, of all matters necessary to enable them to present fairly the results of the transactions during the period.

12. There have been no events since the UNHCR reporting date of 31 December 2017 that necessitate revision of the information presented in the financial statements thereto.

(*Signed*) Hans G. **Baritt**
Controller and Director
Division of Financial and Administrative Management

(*Signed*) Filippo **Grandi**
United Nations High Commissioner for Refugees

Letter dated 24 July 2018 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations High Commissioner for Refugees for the year ended 31 December 2017.

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Opinion

We have audited the financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees, which comprise the statement of financial position (statement I) as at 31 December 2017 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flow (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the voluntary funds administered by the United Nations [illegible] Commissioner for Refugees as at 31 December 2017 and the financial perfor[illegible]ce and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of the voluntary funds administered by the United Nations High Commissioner for Refugees, in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor's report thereon

The United Nations High Commissioner for Refugees is responsible for the other information. The other information comprises the financial report for the year ended 31 December 2017, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

The United Nations High Commissioner for Refugees is responsible for the preparation and fair presentation of the financial statements in accordance with

IPSAS and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the United Nations High Commissioner for Refugees is responsible for assessing the voluntary funds administered by the United Nations High Commissioner for Refugees with regard to the Commissioner's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless management intends either to liquidate the voluntary funds administered by the High Commissioner or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the voluntary funds administered by the United Nations High Commissioner for Refugees to which the financial reporting process is applicable.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the voluntary funds administered by the United Nations High Commissioner for Refugees.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Draw conclusions concerning the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of the voluntary funds administered by the United Nations High Commissioner for Refugees to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the voluntary funds administered by the High Commissioner to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In our opinion, the transactions of the voluntary funds administered by the United Nations High Commissioner for Refugees that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and the financial rules for the voluntary funds administered by the United Nations High Commissioner for Refugees.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of the voluntary funds administered by the United Nations High Commissioner for Refugees.

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
(Lead Auditor)

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania

24 July 2018

Chapter II

Long-form report of the Board of Auditors

Summary

Audit opinion

1. The Board of Auditors has audited the financial statements and reviewed the operations of the Office of the United Nations High Commissioner for Refugees (UNHCR) for the year ended 31 December 2017. In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of the voluntary funds administered by UNHCR as at 31 December 2017 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards.

Overall conclusion

2. UNHCR finances remain sound with high levels of liquid assets. UNHCR again achieved its highest level of revenues, but at the same time its liquidity is affected by the inclusion of $1.02 billion in donor commitments and agreements made for future years.

3. The funding gap based on the budget representing the needs of persons of concern increased, and amounted to $3.45 billion. The funding gap is understood as the difference between the funds UNHCR deems necessary to meet the needs of persons of concern and the funds finally available. The constrained resources led to the prioritization of interventions; UNHCR implemented fewer activities than deemed necessary to address the needs. Likewise, the high level of donations earmarked for specific situations brings challenges for management to focus on priorities and to deploy resources flexibly to meet demand across all areas of activity.

4. The Board encourages UNHCR to further explore areas for working more cost-effectively while at the same time striving for well-documented, transparent processes so as to foster accountability. For instance, the Board noted opportunities to enhance certain parts of the supply-chain management processes, such as inventory management and warehouse locations. In addition, the Board holds that simplified processes need to be well documented to allow for transparent management decisions and effective monitoring. Such documentation will further support the commitment of UNHCR to a culture of integrity and accountability.

Key findings

Financial overview

5. UNHCR continues to enjoy high levels of support from its donors. Voluntary contributions increased by $226.2 million (5.8 per cent) to $4,148.1 million. Total voluntary contributions represent 98.1 per cent of the Office's total revenues of $4,226.5 million. The expenses decreased slightly, by $3.4 million, amounting to $3,849.1 million. The decrease resulted mainly from foreign exchange gains ($107.2 million) compared with losses in 2016 and increased expenses for implementing partnerships ($91.9 million). The 2017 surplus amounted to $377.4 million.

6. UNHCR maintains a high ratio of current assets to meet its current liabilities. However, the strong appearance of its liquidity status is affected by the inclusion of donor commitments made for future years in a not insignificant manner. There also remain constraints with regard to the use of resources, since a high proportion of 2017

contributions (83 per cent) is earmarked by donors for specific purposes. Unrestricted funds represented only 17 per cent of 2017 contributions.

Financial management findings

7. Sound financial management is essential for providing assurance as to the use of resources allocated to specific objectives. While UNHCR has established stable control processes that facilitate the preparation of the financial statements and management's oversight and review of the accounts, the Board identified cases where additional controls and monitoring steps could further enhance the preparation of the accounts. The Board found for example that the list of controls that aim to respond to the risk of fraud and corruption with regard to the financial statements could be enhanced by adding competent control owners and persons responsible for monitoring. Furthermore, manual detective controls should be added to the list to verify the functioning of automated controls.

Overview of key areas where administration and management of operations can be improved

Cash assistance to beneficiaries

8. At the World Humanitarian Summit in May 2016, UNHCR committed itself to doubling the funds used for cash-based assistance as a proportion of total assistance by 2020. This commitment entailed a review of current processes and systems and enhanced efforts to institutionalize the approach of UNHCR to cash assistance. The Board took note of the steps taken so far. A new administrative instruction on cash-based interventions was launched in December 2017. The cash-based intervention governance structure has been refined and cross divisional staffing has been set up.

9. The Board noted that UNHCR continued capacity-building measures for cash-based interventions, including training activities, in 2017. Over 3,000 staff members and partners were trained on the topic from mid-2016 to May 2018. However, UNHCR has identified that there is room for improvement with regard to the monitoring and effect of the training. In-depth learning programmes with a regional approach will therefore be strengthened in the future. The Board concurred with the self-assessment by UNHCR and pointed out that reinforced training of persons with multiplier functions, that is persons who could instruct and supervise multiple colleagues in the field, would be helpful.

10. In addition, during a detailed sample check the Board noted that the documentation requirements of some of the financial processes for cash-based interventions were not consistently considered in country operations. Furthermore, the Board noted a few cases where expenses had not been recorded in the correct period. The Board also found weaknesses in the recording of refunds from financial service providers in cases where beneficiaries had not collected the available cash grants.

Sustainable Development Goals

11. The Board noted that the contributions of UNHCR to the Sustainable Development Goals were in the spirit of the overarching principles related to leaving no one behind, and were targeted to UNHCR persons of concern. The UNHCR Strategic Directions 2017–2021 include the organizational intention to build on the 2030 Agenda for Sustainable Development and to promote the inclusion of persons of concern in national development frameworks.

12. The Board further noted that the UNHCR internal process to achieve a corporate position on the Sustainable Development Goals has been ongoing. UNHCR started to work on matching the Goals to elements set out in the High Commissioner's Strategic

Directions and to the UNHCR global strategic priorities. UNHCR has identified the Goals relevant to its mandate, developed preliminary guidance and examined implications and opportunities derived from the Goals. However, the Board also noted that UNHCR has not yet fully assessed the programmatic implications of the 2030 Agenda.

13. The Board also noted that the current results-based management system and the corresponding information technology solution at UNHCR do not provide references to the Sustainable Development Goals. With an ongoing project to revise its results-based management, UNHCR has the opportunity to design an improved system and methodology that will allow it to provide automated disaggregated reporting on its contributions to the achievement of the Goals. It is intended that the project will consider the protection and humanitarian nature of the organization's mandate, how best to include initiatives such as the comprehensive refugee response framework and the contribution of UNHCR to achieving the Goals.

14. In countries it visited, the Board noted positive developments and the active role of UNHCR towards achieving more integrated United Nations Development Assistance Frameworks at the level of country operations. The Board further noted that the coordination mechanisms with national Governments for Sustainable Development Goal engagement differed to those under the processes for the comprehensive refugee response framework and for United Nations Development Assistance Frameworks. The Board also noted that the country operations it visited had room for enhancing the approach on how to pursue the Goals through the different processes.

Fraud and corruption prevention

15. The Board noted that some UNHCR country operations have to operate in contexts that make the operations vulnerable to fraud and corruption. Owing to its mandate and the nature of its business, UNHCR cannot avoid operating in these areas that are vulnerable to fraud and corruption. The Board further noted that UNHCR had a strategic framework for prevention of fraud and corruption in place which addressed the matter and was supplemented by additional policies and explanatory guidance.

16. The Board further noted that UNHCR reported 38 cases of proven fraud during 2017. The Board holds that the number is an indication that the UNHCR internal mechanisms for detection of fraud and corruption are functioning properly.

17. The Board acknowledges that the country operations it visited analysed or reflected on cases of identified fraud so as to be aware of their causes and the circumstances that foster their occurrence. As a result of these exercises, the country operations concerned took corrective action, such as reviewing and enhancing current processes as well as strengthening awareness of the negative impacts of fraud and corruption.

18. However, the Board also noted that the country operations it visited had different levels of maturity with regard to their fraud and corruption prevention activities. Thus, the Board also identified areas in which country operations could enhance or refine these activities, including, for instance, risk assessment and local, customized anti-fraud and anti-corruption strategies.

Use of individual consultants

19. Pursuant to its policy, UNHCR engages under temporary contracts individual consultants who possess special skills or knowledge not readily available in UNHCR and for which there is no continuing need. The Board noted areas of non-compliance

with the policy in the areas of engagement, selection, monitoring and evaluation of individual consultants, as well as in the payment process.

20. The Board noted that UNHCR hired consultants to perform regular day-to-day functions of staff members, to have representative or supervisory responsibilities or for work that was not temporary, although these practices were not permitted pursuant to the policy.

21. The Board also noted that some of the reviewed consultants' contracts went beyond the thresholds for the cumulative contract amount of $150,000 in 24 months over a 36-month period established by the policy without adequately requesting or documenting required waivers.

22. The Board further noted room for refining UNHCR policy and standard operating procedures for the use of individual consultants. Areas of enhancement included the requirements for advertising, the selection and engagement process, determination and negotiation of the consultant's fee, the horizontal segregation of duty when waivers are issued and the filing system.

23. The Board noted that in one country operation two consultants received duplicate payments of their fees from a headquarters bank account and the country operation's bank account for several months. Having detected the issue of duplicate payments, UNHCR proposed an extension of the contracts where the consultants were expected to work without receiving payment to compensate for part of the received duplicate payments. The Board is of the opinion that the re-engagement of consultants demonstrating negligent behaviour was not a good management practice.

Selected observations on supply chain management

24. The Board identified potential efficiency gains with regard to the location of the UNHCR global warehouse in Copenhagen. A review undertaken by a third party in 2014 proposed, among other things, that shipments to Africa should not come from the warehouse in Copenhagen. The Board's own analysis revealed that in the period 2015–2017, 100 per cent of stocks came from Asia, while a substantial part of outgoing shipments went to countries in the southern hemisphere, including Africa. The Board noted that a third party was currently undertaking a review of the Copenhagen and Accra locations.

25. The Board also noted a situation in the past where the Division of Emergency, Security and Supply had airlifted a number of core relief items to locations when sufficient stock existed nearby at neighbouring country operations. The airlift was quite a costly solution to transport the stocks to this emergency operation.

Business continuity management from an information and communications technology perspective

26. UNHCR has established an organizational resiliency management system, of which the information and communications technology (ICT) disaster recovery is a component. This ICT disaster recovery plan is applicable for UNHCR headquarters and the data centre sites in Europe. Country operations are not considered. Currently, there are several important and critical applications with no disaster recovery coverage.

27. During its field visits, the Board noted that the country operations had not documented and implemented a formal disaster recovery plan. UNHCR headquarters published backup procedures for operation infrastructure servers in 2016 and 2017. These procedures describe in detail the implementation of off-site archiving procedures, which are an important part of disaster recovery and vital for local

business continuity management. In none of the visited country operations were these procedures fully implemented.

Key recommendations

28. The Board has made several recommendations based on its audit that are contained in the main body of the report. The main recommendations are that UNHCR:

Cash assistance to beneficiaries

(a) **Strengthen the monitoring and evaluation of cash-based intervention training impacts. The Board encourages UNHCR to expand in-depth, on-site cash-based intervention training and the training of participants who can multiply knowledge and capacities, that is, training the trainers or training the supervisors;**

(b) **Establish control mechanisms to monitor the cash-based intervention documents used by country operations in terms of completeness and consistency and further strengthen its guidance to country operations to enhance cash-based intervention refund and cut-off procedures;**

Sustainable Development Goals

(c) **Formulate a corporate position on Sustainable Development Goal engagement and operationalize that position;**

(d) **Develop a results-based management system that is able to reflect the position of UNHCR on Sustainable Development Goal engagement in order to assist UNHCR in demonstrating its contributions to the Goals in the long term;**

(e) **Country operations map and align current approaches and develop plans on how they intend to support national Governments in implementing the Sustainable Development Goals by means of different initiatives;**

Fraud and corruption prevention

(f) **Country operations refine their risk assessment and identification of areas vulnerable to fraud and corruption and develop or enhance comprehensive overall anti-fraud and anti-corruption strategies that are customized to the local context;**

(g) **Strive to actively promote awareness on the negative impacts of fraud, corruption and sexual exploitation and abuse with staff, partners, intermediaries and persons of concern;**

Use of individual consultants

(h) **Enhance compliance with its policy and standard operating procedures on individual consultants, ensure effective consultant contract management and consider centralizing some tasks of the hiring units to obtain a higher level of specialization;**

(i) **Establish UNHCR-wide control to prevent duplicate payments of consultant fees from a headquarters bank account in parallel with payments from the operation's bank account;**

(j) **Review its policy and the standard operating procedures for the use of individual consultants;**

Selected observations on supply chain management

(k) **Assess how a more efficient management of core relief items in stock, which includes supplies of country operations, could be put in place;**

Business continuity management from an information and communications technology perspective

(l) **Include the remaining applications in the disaster recovery plan to increase data security and implement comprehensive backup and disaster recovery guidelines in every country operation.**

Previous recommendations

29. As at 30 April 2018, of the 45 recommendations made for 2016 and previous years, 23 (51 per cent) had been implemented, 18 (40 per cent) remained under implementation and 4 (9 per cent) had been overtaken by events (see annex). The Board welcomes the overall progress made in implementing older recommendations.

Key facts

$7.96 billion	Final budget based on a global needs assessment
$4.2 billion	Revenue reported (including $1.024 million for future years)
$3.9 billion	Expenses incurred in 2017
71.4 million	Persons of concern to UNHCR
11,621	UNHCR staff
130	Countries of operation, with 468 offices, including major emergency operations and situations in 2017 (Bangladesh, Burundi, Central African Republic, Democratic Republic of the Congo, Europe, Iraq, Nigeria, South Sudan, Syrian Arab Republic and Yemen)

A. Mandate, scope and methodology

1. In 2017, the Office of the United Nations High Commissioner for Refugees (UNHCR) provided protection and assistance to some 71.4 million persons forcibly displaced within or outside their countries of origin. It is a devolved organization with more than 11,000 staff working in 468 offices located in 130 countries. Its mandate incorporates delivering support to long-term and protracted situations as well as responding to humanitarian emergencies. Large-scale displacements of people have continued to increase, not only as a result of conflicts in the Syrian Arab Republic and South Sudan but also as a result of the crisis in the Lake Chad Basin and unrest in the Democratic Republic of the Congo. UNHCR is funded almost entirely by voluntary contributions, which represented $4.15 billion of overall total revenues of $4.23 billion. Recognized revenue from donor agreements included $1.02 billion relating to future years. Total expenses were $3.85 billion.

2. The Board has audited the financial statements of UNHCR and has reviewed its operations for the financial year ended 31 December 2017 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations of the United Nations, the financial rules for the voluntary funds administered by the United Nations High Commissioner for Refugees and, where applicable, the Financial Rules of the United Nations, as well as the International Standards on Auditing. The latter standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UNHCR as at 31 December 2017 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations and the financial rules for the voluntary funds administered by the High Commissioner for Refugees. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. The Board also reviewed UNHCR operations under United Nations financial regulation 7.5, which requires that the Board make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations. The Board has commented, among other things, on UNHCR engagement with the Sustainable Development Goals, activities to prevent fraud and corruption, and the use of individual consultants.

5. During the course of the audit, the Board visited UNHCR headquarters in Geneva, the office in Budapest and the global warehouse in Copenhagen and examined field operations in Ethiopia, Kenya and the United Republic of Tanzania. The Board continued to work collaboratively with the Office of Internal Oversight Services (OIOS) to provide coordinated coverage. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's report was discussed with UNHCR management, whose views have been appropriately reflected.

B. Findings and recommendations

1. Previous recommendations

6. The Board noted that there were 45 outstanding recommendations up to its report for the financial year ended 31 December 2016. The Board assessed that 23 recommendations (51 per cent) had been implemented, 18 recommendations (40 per cent) remained under implementation and 4 recommendations (9 per cent) had been overtaken by events. Details of the status of implementation of the 45 recommendations are shown in the annex to the present report.

7. Of the 18 recommendations under implementation, nine relate to 2016 and five relate to 2015. The Board sees continuing progress in implementing outstanding recommendations. This applies, in particular, to some areas of budget planning, cost-effectiveness and programme review on which the Board made recommendations in its 2014 and 2015 reports. The Board also noted progress in implementing recommendations with regard to financial accounting, which the Board made in 2016.

8. Four recommendations from 2012 to 2014 remain open with ongoing progress in all areas. They relate to the global fleet management project and guidance on cost-effectiveness. The Board welcomes the overall progress made in implementing and closing older recommendations. Many of those recommendations under implementation relate to projects and initiatives which are still being rolled out or developed, such as the development of a revised results-based management system.

2. Financial overview

9. Net assets increased by $357 million to $1.99 billion in 2017. Accumulated fund balances and reserves were $2.53 billion (2016: $2.21 billion) and included cash and investments of $1.12 billion (2016: $1.12 billion).

10. Overall, the key financial indicators remain robust and UNHCR continues to have a high ratio of current assets to meet its current liabilities. In its financial report (see chap. IV below, para. 36), management indicates that liquidity is positively affected by the inclusion of $1,023.7 million in donor agreements and commitments made for future years. The Board's analysis of the key financial ratios demonstrates that UNHCR meets all its liabilities (see table II.1).

Table II.1
Ratio analysis

Description of ratio	*31 December 2017*	*31 December 2016*	*31 December 2015*	*31 December 2014*	*31 December 2013*
Current ratio[a] (current assets: current liabilities)	9.8	8.1	8.6	6.9	8.7
Total assets: total liabilities[b]	3.0	2.7	2.7	2.3	3.2
Cash ratio[c] (cash + investments: current liabilities)	4.3	4.0	4.6	3.1	3.5
Quick ratio[d] (cash + investments + short-term accounts receivable: current liabilities)	8.3	6.9	7.5	5.7	7.3

Source: UNHCR financial statements.

[a] A high ratio indicates an entity's ability to pay off its short-term liabilities.

[b] A high ratio is a good indicator of solvency.

[c] The cash ratio indicates an entity's liquidity. It serves to measure the amount of cash, cash equivalents and invested funds available in current assets to cover current liabilities.

[d] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to convert into cash. A higher ratio means a more liquid current position.

11. In 2017, voluntary contributions received increased by 5.8 per cent to $4,148.1 million (2016: $3,921.9 million). The voluntary contributions represent 98.1 per cent of the total revenues of UNHCR of $4,226.5 million.

12. Expenses (including foreign exchange gains/losses) amounted to $3,849.1 million, compared with $3,852.5 million in 2016.

13. The surplus for the year increased to $377.5 million (2016: $126.9 million). The significant increase of $250.6 million results mainly from increased voluntary contributions ($226.2 million), decreased cash assistance to beneficiaries ($157.3 million), increased implementing partner expenses ($91.9 million) and an increase in foreign exchange gains ($107.2 million).

14. The global assessed needs of UNHCR in 2017 were $7.96 billion, compared with $7.51 billion in 2016. Considering available funds of $4.51 billion in 2017 ($4.41 billion in 2016), the funding gap amounted to $3.45 billion ($3.1 billion in 2016). The level of demand for UNHCR interventions further increased with ongoing emergencies, an increased number of persons of concern and a continuously challenging donor environment. These circumstances are likely to create additional pressures in 2018 and beyond.

15. Although unearmarked contributions increased slightly, by 3 per cent compared with 2016, earmarked contributions for specific situations still represent the vast majority of voluntary contributions. This creates constraints on management's ability to deploy resources flexibly and to meet demand across all areas of activity. Unrestricted funds represented 17 per cent of monetary contributions in 2017 (see table II.2). The Board notes that UNHCR achieved its highest level of donor commitments as a result of its fundraising and donor conferences in 2017. Governments and intergovernmental organizations continued to be the major donors of UNHCR.

Table II.2
Monetary contributions by type of earmarking in 2017

(Millions of United States dollars)

Type of earmarking	*2017*	*2016*	*2015 (reclassified)*	*2017 (percentage)*	*2016 (percentage)*	*2015 (reclassified) (percentage)*
Unrestricted	703	555	510	17	14	14
Pending earmarking[a]	174	159	201	4	4	6
Country/sector level	2 491	2 550	2 020	60	66	58
Regional/subregional level	718	601	736	18	15	21
Thematic	39	33	23	1	1	1
Total monetary contributions	**4 125**	**3 898**	**3 490**	**100**	**100**	**100**

Source: UNHCR financial statements.

[a] Contributions pending earmarking are largely those relating to contributions from pledging conferences relating to future years.

3. Financial management findings and observations

16. Sound financial management is an essential component of the framework of internal control, providing assurance as to the use of resources allocated to specific objectives. UNHCR has established various control processes that facilitate management's oversight and review of the accounts. The Board identified some cases

where additional controls and monitoring steps could further enhance the quality of the accounts preparation. In addition, the Board also identified individual areas showing room for improvement in the administration and management of operations. An overview of the Board's analysis, findings and recommendations is provided below.

Employee benefit liabilities

Recording of actuarial gains and losses

17. The Board recommended one adjustment posting in the financial statements with regard to actuarial gains and losses. The actuarial loss related to repatriation grants was recorded in the statement of financial performance. This loss should have been reflected in net assets consistently with the other defined-benefit obligation from after-service health insurance.

18. UNHCR agreed to the finding and adjusted the 2017 fund balances and reserves in an amount of $5.33 million for the 2017 actuarial loss for repatriation grants.

Provisions

Provision for camp closure

19. Pursuant to IPSAS 19, an entity shall recognize a provision when: (a) it has a present obligation as a result of a past event; (b) the obligation will result in a probable outflow of resources; and (c) the amount of the obligation can be reliably estimated. The obligation can be either legal or constructive in nature. A constructive obligation is given where an event creates "a valid expectation" in other parties that the entity will discharge the obligation. An example would be if an organization has in the past paid costs of environmental damage that was caused by its military activities and the organization has a published policy in which it undertakes to clean up contamination that it causes. If a military vessel is damaged and leaks oil during a naval exercise, the organization needs to determine whether it has a constructive obligation to pay for the cleaning costs. In this case, a past event has caused environmental damage and the policy and previous conduct of the organization has created valid expectations that the organization will clean up the contamination.

20. During its field visit, the Board noted ongoing land restoration activities in one of the camps. Driven by the Board's inquiry, UNHCR investigated possible situations where a constructive obligation may have been created in relation to an imminent closure of a camp. UNHCR acknowledged a constructive obligation as a result of the closure activities in the camp highlighted by the Board. The obligation is expected to amount to approximately $3.5 million. It relates to environmental clean-up of vacated sites, rehabilitation of degraded areas and climate-sensitive livelihood options. There was one further camp where an obligation might evolve in the course of ongoing discussions. However, UNHCR currently saw no clear indication of a measurable obligation in that case. The Board agreed with the assessment of UNHCR.

21. **The Board recommends that UNHCR establish a process of monitoring imminent camp closures so that any constructive obligation or contingent liability will be adequately reflected in the financial statements.**

22. UNHCR concurred with the recommendation and will take action to establish a process of monitoring.

Voluntary contributions

23. Voluntary contribution revenues increased by $226.2 million, or 5.8 per cent, compared with 2016 and amount to $4,148.1 million. This amount includes $1,023.7 million which donors contributed for future years.

Parliamentary approvals

24. The Board noted that UNHCR conducted a manual review of its donor agreements and donor commitments to determine whether the agreements or commitments contained parliamentary approval clauses. Such a review is necessary, at least once a year, to determine whether assets can be recorded.

25. The Board holds that an automated process in the UNHCR enterprise resource planning system, known as Managing Systems, Resources and People (MSRP), that could highlight agreements with parliamentary approval clauses would facilitate the revenue recognition process. Furthermore, such a functionality would enhance the monitoring of liquidity risks and would reduce the time needed to generate the review lists and the risk of manual errors.

26. **The Board recommends that UNHCR establish a process to highlight agreements subject to parliamentary approvals in the MSRP platform to facilitate the review process and to support asset recognition assessment under IPSAS 23.**

27. UNHCR concurred with the recommendation and stated that it had started to implement the recommendation for agreements signed in 2018.

Internal controls for the financial statements that aim to respond to the risk of fraud and corruption

28. UNHCR issued an internal control framework in April 2015 to implement standardized, high-level controls for similar types of financial transactions. The control framework defines, inter alia, preventive and detective controls. In addition to the control framework, more detailed procedures on controls are defined in the UNHCR Manual. The Manual, for example, defines the function of the committees on contracts and certain authority limits based on order and vendor type.

29. The Board acknowledges the existence of the list of controls for the financial statements aimed at responding to the risk of fraud and corruption and the supplementary definitions of controls, for example, in the Manual. However, the Board sees room for improvement with regard to the further implementation of the list of controls. In particular, UNHCR should define the control frequency and specific responsibilities by adding competent control owners and responsible persons for monitoring the controls. The Board noted that the list of controls referred to several automated processes, such as the delegation of authority plan and segregation of duties. These processes should be complemented by associated detective controls to verify the functioning of the process.

30. **The Board recommends that UNHCR enhance the list of controls aimed at responding to the risk of fraud and corruption with regard to the financial statements. The control frequency, a control owner and a responsible person for monitoring should be documented in the list. Furthermore, manual detective controls should be added to verify the functioning of automated controls.**

31. UNHCR accepted this recommendation. UNHCR intends to enhance the list by adding columns referring to control frequency and owners. UNHCR also intends to identify core manual controls to be applied to validate the functioning of the automated controls.

4. Administration and management of operations: findings and observations

Cash assistance to beneficiaries

32. The World Humanitarian Summit in May 2016 coincided with the decision of UNHCR to scale up the use of cash-based interventions. At the Summit, UNHCR committed itself to doubling the funds used for cash-based interventions as a proportion of total assistance by 2020. The Summit commitment entailed a comprehensive review of the current cash-based intervention processes and systems at UNHCR. An external consultancy study emphasized the need for an intensified institutionalization project in 2016/17. The objective of that project was to put UNHCR in a position to have the enhanced capability to provide cash-based interventions by 2020. It is clustered into three phases. The first phase comprises the expansion and continuation of necessary baseline activities for the roll-out of an institutionalized cash-based intervention approach. Phase one was scheduled to run from 2016 to the end of 2017. The implementation steps in phase one are detailed in a road map. According to the road map, key activities in phase one related, among other things, to:

(a) The design of a detailed cash-based intervention operating model, including a revision of the applicable administrative instruction;

(b) An increase of cash-based intervention institutional resources and programme management structures at headquarters;

(c) The implementation of cash-based intervention staffing and capacity-building, including training activities.

Administrative instruction

33. The Board acknowledged the work that has been done so far to implement the road map. In particular, the Board noted the launch of a new administrative instruction on cash-based interventions in December 2017. The new administrative instruction encompasses the expanded use of the UNHCR MSRP platform in the cash-based intervention processes. Requisitions, purchase orders, receipting and purchase order vouchers are now part of the standardized MSRP-driven, cash-based intervention process. The Board further noted that the new MSRP functionalities also included the delegation of authority plan.

34. The Board holds that the launch of the new administrative instruction marks an important milestone in the institutionalization project. The Board is of the opinion that the integration of MSRP functionalities, including the delegation of authority plan, in the cash-based intervention process increases accountability and reduces the risks of manual errors.

35. The administrative instruction sets out rules on programme-specific standard operating procedures. The standard operating procedures are to be reviewed and cleared by global cash operations staff in the Cash-Based Interventions Section of the Division of Programme Support and Management, and by the Division of Financial and Administrative Management prior to the representative's approval. The administrative instruction also provides a standard template of operating procedures and defines the minimum content.

36. The Board found two out of 10 cases where country operations applied cash-based interventions without having approved standard operating procedures in place. The Board holds that the standard operating procedures are of key importance for the cash-based intervention process as strategic decisions and basic parameters are defined in those procedures. Therefore, the Board is of the opinion that an operation

should not start with the programme before the standard operating procedures are cleared and approved.

37. **The Board recommends that UNHCR ensure that country operations implement cash-based interventions when approved standard operating procedures are in place, in line with the administrative instruction.**

38. UNHCR concurred with the recommendation.

Institutional resources and programme structure

39. Enhanced institutional resources, including the governance structure and extended cash-based intervention capacities at headquarters were, inter alia, identified as key elements in the institutionalization project. The Board welcomes the efforts made by UNHCR to refine the cash-based intervention governance structure. Multifunctional teams that involve programmatic aspects alongside protection, legal and finance perspectives form a central element of the cash-based intervention structure. The cash-based interventions steering committee will ensure the commitment to institutionalization and has, inter alia, responsibility for operationalizing the cash-based intervention strategy and for ongoing oversight and coordination. The steering committee also reviews and discusses the annual workplans submitted by the cash programme team.

40. To supplement the refined governance structure, UNHCR has started to set up a cross-divisional organizational presence in the cash programme staffing. The structure reflects two work streams: institution-building and country roll-out. Members of the two streams form the "core cash team", which holds regular meetings to discuss relevant issues, develop necessary activities and facilitate communication with the steering committee. Out of the 24 positions planned in the cash programme team, 22 positions were filled by May 2018.

41. The Board is of the opinion that an appropriate governance and programme structure and extended cash-based intervention staffing are key elements of the institutionalization road map. Therefore, the Board welcomes the steps taken by UNHCR to refine the governance and organizational cash-based intervention structures.

Capacity-building

42. Increased cash-based intervention capacities throughout UNHCR were other central requirements for the successful institutionalization project. Accordingly, the road map provides for capacity-building measures, including training activities, in its first phase.

43. UNHCR has trained over 3,000 staff and partners on the topic of cash-based interventions from mid-2016 to 4 May 2018. For 2018, several training activities are scheduled. The vast majority of the training activities since mid-2016 has been conducted as electronic learning courses (approximately 75 per cent of the training). Further training modalities are three-day, in-country training courses (approximately 15 per cent), half-day training courses (approximately 6 per cent) and four-month cash-based intervention learning programmes (approximately 5 per cent).

44. UNHCR noted that some of the conducted training had not sufficiently enabled participants to implement cash-based interventions independently without support from cash-based intervention experts. Accordingly, UNHCR intends to extend in-depth learning programmes in the future. Furthermore, UNHCR stated that monitoring the impact of the training would be continued and strengthened. A regional approach that considers the needs of the operations would be targeted. UNHCR intends to train a critical number of staff from each operation.

45. The Board agrees with the self-assessment by UNHCR and welcomes any steps taken in that regard. Furthermore, the Board holds that training of persons with multiplier functions, that is, persons who can instruct and supervise multiple colleagues in the field, will be helpful.

46. **The Board recommends that UNHCR strengthen the monitoring and evaluation of cash-based intervention training impacts. The Board encourages UNHCR to expand in-depth, on-site cash-based intervention training and the training of participants who can multiply knowledge and capacities, that is, training the trainer or training the supervisor.**

47. UNHCR agreed with the Board's recommendation.

Cash-based intervention financial documentation requirements

48. Institutionalization is, inter alia, reflected by a consistent approach to comparable processes and a standardized documentation and review of such processes. With the new administrative instruction in place, country operations have sufficient guidance on required documentation in the cash-based intervention process. Templates and focal points at headquarters are available for further reference.

49. During a detailed sample check, the Board noted that the documentation of some cash-based intervention financial processes for the same issues varied from operation to operation. For example, approved payment lists varied from country operation to country operation. The payment lists were even partly inconsistent or not available in a centralized manner at the country operation's branch office. Country operations also documented eligibility criteria in various different formats. The Board is of the opinion that there is room for improvement in the establishment of consistent documentation of core documentation in the cash-based intervention process. Consistent documentation facilitates review and monitoring activities. The Board holds that monitoring activities at headquarters could be enhanced to ensure consistent and adequate implementation of cash-based interventions, wherever this is feasible in the circumstances of the case.

50. Based on the Board's audit, UNHCR determined that cash distributions in an amount of approximately $1.0 million were not recorded in the correct financial period. There were other cases where the refund procedures with regard to uncollected amounts showed weaknesses. In one case, for example, the country operation's standard operating procedures did not address and specify the refund procedures. In another case, the standard operating procedures were ambiguous in terms of the financial year in which the refund had to be recorded. In both cases, the recording of the refund was not conducted in a timely manner. The refund process entails retroactive expense adjustments and has a direct effect on the UNHCR financial statements. This process differs from operation to operation depending on the modality of cash distribution.

51. The Board welcomes the steps taken by headquarters to provide additional guidance and training to the field operations with regard to cut-off and refund procedures. The Board holds that additional monitoring of refund procedures while considering contextual requirements would enhance the process. The Board encourages UNHCR to strengthen these activities as they are in the Board's view essential for enhancing accountability in the process.

52. **The Board recommends that UNHCR enhance the mechanisms for monitoring the cash-based intervention documents used by country operations through issuing additional guidance, conducting training and standardizing the key documentation required to be maintained as substantiation of the cash-based intervention transactions to the extent applicable when considering the local context.**

53. **The Board encourages UNHCR to further strengthen its guidance to country operations to enhance cash-based intervention refund and cut-off procedures.**

54. UNHCR concurred with the recommendations and stated that strengthening training and monitoring efforts had already been included in the respective workplans in order to start implementing the recommendation.

Implementing partnership expenses and management of project partnership agreements

55. Implementing partnership expenses increased by $91.9 million, or 6.5 per cent, and amounted to $1,512.7 million in 2017 (2016: $1,420.8 million). A breakdown of the implementing partnership expenses by pillar and by rights group is provided in tables 6.1.1 and 6.1.2 of the financial statements (see chap. V below, note 6.1 to the financial statements). In 2017, UNHCR concluded 1,623 agreements with implementing partners and 167 agreements with United Nations agencies and the International Organization for Migration. UNHCR again had strong evidence to support the expenditures of its implementing partners.

56. The external verification of implementing partnership expenses remained strong, with a high level of coverage obtained of almost 75 per cent of the 2017 expenditure (see table II.3).

Table II.3
Project partnership agreements subject to the external verification process

			Agreements subject to external verification			
Type of partner	*Total number of project partnership agreements*[a]	*Total budget value (millions of United States dollars)*	*Number*	*Percentage of total number of agreements*	*Value (millions of United States dollars)*	*Percentage of total budget value*
National non-governmental organizations	806	525	248	31	332	63
International non-governmental organizations	592	719	287	48	560	78
Governments	225	177	109	48	148	84
Total	**1 623**	**1 421**	**644**	**40**	**1 040**	**73**

Source: UNHCR, Implementing Partnership Management Service, report on 2017 project audit certification, 28 June 2018.

[a] Excluding agreements with United Nations agencies and the International Organization for Migration.

57. The Board also noted that most project partnership agreements obtained unqualified audit opinions and the number of modified audit opinions remained stable at a level of 15 per cent in 2017 (2016: 13 per cent) (see table II.4).

Table II.4
Project partnership agreements with modified audit opinion

	2017[a]		*2016*		*2015*	
Type of opinion	*Number*	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*
Unqualified	508	85	676	87	804	88
Modified	91	15	98	13	107	12

Source: UNHCR, Implementing Partnership Management Service, report on 2017 project audit certification, 28 June 2018.

[a] Not fully complete, as 45 audit certificates remain pending.

Risk-based monitoring of project partnership agreements

58. The Board noted continuous enhancements of the processes by which the Division of Financial and Administrative Management supports the expenses incurred through implementing partnerships. The framework for implementing with partners gives guidance for governing and managing resources disbursed to partners. The Board noted that the framework provided a clear and comprehensive set of tools to plan projects, govern partners, monitor partners' activities and verify partners' disbursements. During its field visits, the Board found some areas where responsibilities within the framework can be strengthened to further improve the overall quality of the processes.

59. The Board also positively noted that the Division of Financial and Administrative Management had further improved the tools for risk-based monitoring of partners. The framework demands that in the light of restricted resources more monitoring activities should be dedicated to projects that are more critical to the organization's overall objectives and carry a higher risk. A new toolset permits the users to use templates that transfer data in a comprehensive way through the process. The toolset contains a risk assessment for the partnership agreement and recommends a risk classification on the basis of which the template suggests monitoring activities.

60. Chapter IV of the UNHCR Manual sets out the main responsibilities with regard to implementing partners. The programme function is responsible for assuming overall, end-to-end management of project implementation, including effective financial management, designing and drafting project partnership agreements, setting budgets, allocating resources, releasing funds and monitoring programme delivery. The primary function of project control is to complement programme management and provide support for monitoring projects, including drafting a monitoring plan and tracking project risk, quality assurance and verification. Other activities of project control include reviewing project agreements, project audit, monitoring that there is synchrony between financial and operational performance, participation in monitoring activities and reviews, as well as supporting project closure. The project control function also supports the programme function in building the capacity of partners and UNHCR staff, particularly with respect to financial management.

61. During its field visits, the Board recognized inconsistencies with regard to partner personnel costs and equipment financed by UNHCR in some of the project partnership agreements and the corresponding annexes. In its sample, the Board also identified a few contractual agreements with partners that were not in line with the implementing partner framework. The Board saw this as an indication that quality assurance needs to be enhanced.

62. The Board found two main drivers that fostered a lack of quality assurance during the establishment of project partnership agreements. The Board noted that the visited branch offices had worked with one or two members of staff for project control for some time and had to organize more than 60 project partnership agreements. In addition, the Board noted that project control staff could be better included in the process of establishing the project partnership agreements. By reviewing the agreements, project control staff would be in a better position to give early notice of information requirements and internal rules that need to be complied with. This is needed to put project control staff in a position to fulfil their responsibility for quality assurance. Therefore, the project control function needs to have adequate resources to fulfil all of its responsibilities. The Board holds that this would strengthen the overall compliance of project partnership agreements with UNHCR policies and frameworks.

63. **The Board recommends that country operations better incorporate the project control's quality assurance function in the process of establishing project partnership agreements.**

64. UNHCR agreed with the recommendation.

Output levels and performance monitoring

65. In the project description that is annexed to the project partnership agreement, UNHCR and the partner agree on impact indicators and performance targets. The parties define the expected results of the project. This information is later used in various steps of the implementing partner monitoring process. These steps include performance measurement and verification of partners' disbursements. The agreed performance targets are also the basis for partners' performance reporting.

66. The Board identified scope for enhancement in the clearness of output indicators at the branch office level. The standard template for a project description includes a table for planned results. This table requires mentioning a baseline for impact indicators; but the template does not require baselines for the agreed output.

67. During its field visits, the Board noted that operations largely define clear output indicators that must be reached by partners. Baselines for the indicators were not available at the output level for any of the project descriptions reviewed, since UNHCR assumed that the baseline for output indicators of an individual project partnership agreement would be zero. In addition, the current results-based management system at UNHCR does not include baselines for output indicators. Therefore, UNHCR can aggregate the output targets, but does not have an overview of how this affects the overall population of outputs required. For instance, UNHCR is currently able to measure that it built a certain number of household latrines per year, but does not have an overview of how many household latrines existed in a settlement at the beginning of the year. Therefore, in this example, no statement can be made as to whether the newly built latrines replaced existing latrines or if the new latrines were closing part of the gap of non-existing latrines. In the Board's view, adding the baselines to output indicators would foster understanding on the status quo before and the progress achieved during the year based on the outputs.

68. The Board further noted that for all the projects it visited, the baseline indicators and targets were given for impact indicators in the current results-based management system.

69. **The Board recommends that during the results-based management review project UNHCR assess whether it is possible and useful to include the determination of baselines for output indicators in the new results-based management system. If the assessment concludes that this is useful, the Board recommends that UNHCR use such baselines to enhance the information given in the project description.**

70. UNHCR concurred with the recommendations.

Project performance reports

71. Partners report on their work in the project performance report. During its field visits, the Board noted that the quality of the project performance reports varied. UNHCR provided partners with a reporting template annexed to the project partnership agreement. The template calls for a narrative description of any changes or issues that may occur and for an evaluation of the project. The second part of the template focuses on the actual progress made towards planned results.

72. The Board noted that many partners used the narrative part to mostly repeat the project description given in the project partnership agreement. This does not add informational value to the report. Important new information can easily get lost within the repetitive text.

73. The Board recognized that partners use the table to briefly report on progress in the project. Where the progress did not realize outputs as anticipated, the partners gave reasons and explanations about the deviation in only a few cases. UNHCR could gather more valuable information if the partners also explained deviations from the anticipated output delivery.

74. UNHCR should differentiate between performance reports during the period (periodic reports) and performance reports concluding a project partnership agreement (final performance reports). The Board sees advantages in having brief updates in the form of progress made, explanations for deviations from the plan and any other valuable information. Additional information about reasons for deviations from planned outcomes can improve the planning for future years.

75. The Board noted that UNHCR had published a new reporting template for periodic reports in May 2018. The newly introduced template focused on progress achieved against planned results, as well as changes and amendments to the original project plan. The Board is of the opinion that the template can enhance and simplify reporting by country operations. However, UNHCR should assess whether the template fully covers the different needs for monitoring project partnership agreements.

76. **The Board recommends that UNHCR assess the newly introduced periodic progress report template with regard to the completeness of the information needed. This assessment should include whether the new template has led to increased usability.**

77. UNHCR agreed with the recommendation.

Quality of partners' financial and performance reporting

78. In one of the country operations, the Board noted that the branch office together with the sub-offices had organized workshops for partners' staff. The workshops were aimed at building and improving the capacities of partners' staff with regard to project planning and financial and performance reporting. The branch office had recognized significant training needs that were manifested in reporting quality and qualified opinions resulting from external audits.

79. These observations are consistent with the Board's own findings. During the Board's field visits, the Board noted a high turnover in partners' programme and financial staff. The staff's unfamiliarity with UNHCR requirements and work procedures resulted in poorer reporting quality and a need for increased efforts in terms of coordination, which consumed more working time on the part of UNHCR programme and project control staff.

80. The branch office analysed the results of the workshops and noted increased reporting quality afterwards. The country operation plans to widen the coverage of the training programme and intends to hold workshops in all sub-offices. The Board noted the positive outcome of the exercise. These workshops can improve partners' capacities, increase planning and reporting quality and thus lead to UNHCR programme and project control staff using their time more efficiently. The Board holds that in the end this exercise will enhance the evidence UNHCR gathers to support implementing partnership expenses.

81. **The Board recommends that country operations assess the quality of partners' financial and performance reporting. In case of low reporting quality, the country operations should take appropriate measures to improve reporting quality. The Board further recommends that UNHCR establish best practices and share them with operations.**

82. UNHCR concurred with the recommendations.

Planning and execution of water, sanitation and hygiene projects

83. During its field visits, the Board placed an audit focus on construction projects implemented by partners, with a main focus on water, sanitation and hygiene projects. The Board recognized room for improvement in planning and executing water, sanitation and hygiene projects in the visited countries. The Board believes that with better planning the financial resources could be used more efficiently.

84. At one of the sub-offices visited, the Board noted the planning for a water system in a newly founded settlement, in which the main pipeline for water transport was crossing dry river beds over which the pipeline hung suspended in the air. To protect the pipeline against flotsam UNHCR, together with the partner, had to invest additional funds for building a stone wall.

85. One of the boreholes belonging to the sub-office was electrified with a hybrid system consisting of a solar power system and a diesel generator. The Board found that the solar cells were heavily covered with dust. The cells were not proposed to be cleaned at this site. The Board identified the risk that the dust might result in downtimes of the solar power system and a shorter lifespan of the system. Alternative powering with the diesel generator would consume additional funds.

86. At another sub-office, the Board found a fully functional water distribution system in a settlement. This system was not in use at the time of the Board's field visit since the connection from the water source to the distribution system was not yet functional. UNHCR was not in charge of the connection to the settlement since the whole project was planned as a multi-actor project. Until this multi-actor project is fully operational, water has to be distributed by trucks, the most expensive way of water distribution. Furthermore, the Board sees an increased risk of theft and manipulation if facilities are left unused for a period of time.

87. At the same sub-office, the Board noted that the ground was polluted by some spills in the area of a water intake. The spills stemmed from the operation and maintenance of the generators that supplied the power for the water pumps. During the time of the field visit, the sub-office had already taken note of the pollution and initiated countermeasures. The Board emphasizes the risk that mineral oil can pollute the water source such that eventually the intake will no longer be usable. Water would then have to be distributed by alternative means such as cost-intensive water trucking. The Board finds it worth mentioning that no protective basins were in place at any of the visited boreholes/water intakes to avoid pollution.

88. **The Board recommends that country operations enhance project planning for construction projects implemented by partners. The country operations should initiate corrective measures such as getting support from regional service centres in cases of lack of capacity or resources to plan and monitor projects adequately.**

89. UNHCR agreed with the recommendation.

Sustainable Development Goals

90. On 25 September 2015, the General Assembly formally adopted the 2030 Agenda for Sustainable Development, consisting of a declaration, 17 Sustainable Development Goals and 169 associated targets. All United Nations Member States jointly committed to the Goals and all United Nations agencies were mandated to contribute to the progress of Goals for their identified target groups.

UNHCR corporate position on Sustainable Development Goal engagement

91. The contributions of UNHCR to the Sustainable Development Goals are in the spirit of the overarching principles of leave no one behind and reaching the furthest first, targeted at UNHCR persons of concern. The mandate of UNHCR includes setting policies, providing advice to the legislative process, engaging in advocacy to shape refugee systems and providing legal and material direct assistance to refugees. This includes functions such as advocating, providing protection space, including equal access to basic rights and services, providing humanitarian operational responses and pursuing durable solutions.

92. The UNHCR Strategic Directions 2017–2021 articulate the intention to build on the 2030 Agenda and leave no one behind and, where feasible, to promote the inclusion of people of concern in national development frameworks. UNHCR is also engaging with States, host communities and civil society to promote the inclusion of people of concern in mainstream national systems such as health and education systems. By engaging with international development actors and financial institutions, UNHCR intends to secure the inclusion of people of concern in strategies, planning and financing instruments. The work of UNHCR is contributing to addressing the causes of forced displacement and statelessness by leveraging the comprehensive refugee response framework and working towards a global compact on refugees.

93. UNHCR examined implications and opportunities in the Sustainable Development Goals in an interdivisional working group (the strategic/policy coherence working group). According to the terms of reference, this group is to make recommendations on how UNHCR policies and procedures will be affected and may need to be modified. The group identified challenges in how to classify some humanitarian, life-saving interventions as contributions to the Goals. Humanitarian agencies contribute to the Goals in a different way than development agencies. Differences occur owing to a variety of issues, such as the one-year funding cycle and the need to respond rapidly to humanitarian emergencies. The internal process to achieve a corporate position on the Sustainable Development Goals has been ongoing. UNHCR has started matching the Goals to the elements set out in the High Commissioner's Strategic Directions and to the UNHCR global strategic priorities. These processes are ongoing and will be taken forward by the newly established Division of Resilience and Solutions.

94. UNHCR has identified the following Sustainable Development Goals as relevant to its mandate: poverty reduction (Goal 1), food security (Goal 2), health (Goal 3), education (Goal 4), gender equality (Goal 5), water and sanitation (Goal 6), energy (Goal 7), livelihoods (Goal 8), reduced inequality (Goal 10), human settlements (Goal 11) and peace and justice (Goal 16). In addition, UNHCR has developed a preliminary guidance note for staff on the 2030 Agenda. In addition, it has developed thematic guidance on education (Goal 4) and statelessness (Goals 5, 10 and 16) to respectively highlight relevant Sustainable Development Goals.

95. UNHCR is discussing displacement and statelessness under the 2030 Agenda with external stakeholders to further increase Member States' awareness of its work

related to the Sustainable Development Goals. UNHCR is revitalizing partnerships to facilitate global engagement, including UNHCR support to persons of concern as part of the implementation of the Goals. Together with other United Nations agencies, UNHCR signed a memorandum of understanding for the Joint Fund for the 2030 Agenda for Sustainable Development. The purpose of the Joint Fund is to provide integrated policy support to advance the Sustainable Development Goals, and it is a multi-donor trust fund using pass-through fund management. Under the umbrella of the trust fund, UNHCR intends to undertake joint, country-focused, demand-driven policy-related interventions to foster integrated policy approaches across the 17 Goals towards the implementation of the 2030 Agenda. In continued acknowledgement of the importance of the humanitarian-development nexus, UNHCR has strengthened cooperation with the World Bank and has identified a range of other partners and multilateral forums for engagement in achieving the Sustainable Development Goals.

96. The Board acknowledged that UNHCR realized the opportunities offered by the 2030 Agenda. In addition, the Board took note of the contributions of UNHCR to address the causes of forced displacement and statelessness by leveraging the comprehensive refugee response framework and working towards a global compact on refugees.

97. The Board acknowledged that UNHCR had initiated matching the Sustainable Development Goals to the elements set out in the High Commissioner's Strategic Directions and to the UNHCR global strategic priorities. The Board further noted a challenge in classifying some of the humanitarian, life-saving interventions under the Goals, caused by the type of interventions provided during life-saving activities and the differences in the humanitarian mandate of UNHCR versus a development mandate. In addition, the Board noted that UNHCR had not yet fully assessed the programmatic implications of the 2030 Agenda.

98. The Board also noted that the internal process within UNHCR to establish a corporate position on Sustainable Development Goal engagement was ongoing. UNHCR had not yet finalized either the corporate position on engagement in the Goals or proposals for the amendment of policies and procedures. The Board is of the opinion that in addition to quick-reference and general information and guidance on how to approach the Goals at the country level, greater attention is needed on developing specific guidance for engagement in the Goals based on the UNHCR corporate position.

99. **The Board recommends that UNHCR formulate a corporate position on Sustainable Development Goal engagement.**

100. **In addition, the Board recommends that based on the corporate position, UNHCR operationalize its Sustainable Development Goal engagement.**

101. UNHCR concurred with the recommendations and argued that the development of a corporate position vis-à-vis the Sustainable Development Goals would provide enhanced guidance to field operations.

Preparedness of the UNHCR results-based management system for Sustainable Development Goal engagement

102. The current global Sustainable Development Goal indicator framework does not yet include any indicator for the specific target group for UNHCR. While UNHCR is continuously advocating such an indicator, the current results-based management system and corresponding information technology solution does not make reference to the Goals. UNHCR does not generate reporting on the Sustainable Development Goals from the system. The 2016 quadrennial comprehensive policy review of operational activities for development of the United Nations system requested all

United Nations entities to prepare a system-wide outline of present functions and current capacities in performing operational activities for developing support to achieve the Goals. The Board noted that UNHCR had mapped the results-based management objectives and its human resources categories against the functional categories defined in the survey and had customized the mapping based on expert estimates from the divisions. UNHCR considered this approach and process as the entry point to determine the level of the engagement of UNHCR in the Sustainable Development Goals.

103. UNHCR is in the process of reviewing the results-based management system and plans to incorporate recent opportunities and initiatives into the new system. These initiatives include the comprehensive refugee response framework, a pilot project concerning a multi-year, multi-partner planning process, the commitments of UNHCR towards the resolutions adopted at the World Humanitarian Summit and the support of UNHCR for the Sustainable Development Goals. The project will deliberate on how best to include those initiatives in the new results-based management system, taking into account the protection and humanitarian nature of the mandate of UNHCR. While the comprehensive revision of the results-based management system has been moving forward, UNHCR has conducted an analysis of the results framework against the Goals.

104. UNHCR also plans to develop guidance on standard approaches to improving the collection and analysis of baseline information for refugees and persons of concern with particular emphasis on gathering data needed for reporting on key indicators of the Goals for persons of concern. UNHCR is actively participating in the inter-agency and expert group on Sustainable Development Goal indicators so as to identify indicators that can be disaggregated by migratory status. UNHCR is co-leading the Expert Group on Refugee and Internally Displaced Persons Statistics, which is setting standards for national statistical authorities on statistics related to refugees and internally displaced persons. Through the results-based management revision, UNHCR will explore if key indicators can be designed to collect disaggregated data that will enable interventions for vulnerable populations to be more targeted.

105. The Board acknowledged that UNHCR had started to develop a methodology to formulate initiatives on the Sustainable Development Goals and had started to analyse its results framework against the Goals. The Board further noted that UNHCR had identified challenges related to its current results-based management system in terms of alignment with the Goals and work towards improvement. The Board is concerned that, based on the current results-based management system, institutional awareness within UNHCR may be limited with regard to its achievements related to the Goals in country operations and the effectiveness of its engagement in the Goals.

106. The Board noted that UNHCR, with the results-based management revision project under way, had the opportunity to design an improved system and methodology to be able to provide automated disaggregated reporting on the engagement of UNHCR in the Sustainable Development Goals. The Board is aware that in some operational environments there is a lack of data to use as the basis for reporting. In these cases, the feasibility of being able to deliver the desired automated reporting needs to be analysed before a commitment can be made. However, if feasible, automated disaggregated reporting on the engagement of UNHCR in the Sustainable Development Goals may facilitate integration and comparability with national monitoring on the achievement of the Goals.

107. The Board further noted that a number of other current initiatives, such as the comprehensive refugee response framework, the pilot project for multi-year, multi-partner planning, and other change management processes such as the

headquarters review and the World Humanitarian Summit commitments would have an important impact on the strategic objectives of UNHCR. For this reason, these initiatives also need to be taken into account during the results-based management design.

108. **The Board recommends that, based on its corporate position on Sustainable Development Goal engagement, UNHCR develop a results-based management system that is able to reflect the position of UNHCR on Sustainable Development Goal engagement in order to demonstrate its contributions to the achievement of the Goals in the long term.**

109. **The Board further recommends that UNHCR identify data sources and establish baselines for measuring its contribution to the Sustainable Development Goals so as to be able to prepare for data processing as soon as the new results-based management system has been launched.**

110. UNHCR agreed with the Board recommendations and stated that the scope of the results-based management revision project would include optimum alignment of the future results framework to the Sustainable Development Goals.

Human resources capacities for Sustainable Development Goal engagement

111. With its cross-cutting perspective on the Sustainable Development Goals, UNHCR is integrating references to the Goals into current learning programmes provided by the global learning centre in Budapest. The Board noted the availability of some learning programmes with explicit or implicit references to the Goals, such as the cash-based interventions learning programme (Goals 1 and 8), the gender equality learning programme and the sexual and gender-based violence e-learning programme (Goal 5), the resettlement learning programme and the alternative to detention learning programme (Goal 16) and the education e-learning programme (Goal 4). UNHCR is planning development of a learning programme on the comprehensive refugee response framework and for strengthening cooperation with the World Bank. UNHCR has not yet conducted a learning gap analysis or similar assessments for its engagement in the Sustainable Development Goals (programming, implementation and monitoring). UNHCR staff at various levels of the organization stated that there was room for strengthening the in-house human resources capacity with regard to the topic of the Sustainable Development Goals. This applies to areas such as data and statistics, partnerships, joint resource mobilization, communication and advocacy.

112. The Board acknowledged the efforts by UNHCR to integrate references to the Sustainable Development Goals into current training programmes and the progress made in designing new training programmes, but UNHCR had not yet fully assessed the human resources requirements for its engagement in the Goals. The Board is concerned that the institutional awareness in UNHCR concerning the availability of a sufficient and adequately skilled workforce may be limited as long as UNHCR has not expressed its corporate position and analysed the human resources capacity needed to operationalize the position. The Board further holds that engagement in the Goals and their effective operationalization at the country level would require specific knowledge and skills related to the Goals.

113. **The Board recommends that UNHCR conduct an analysis of the human resources requirements for operationalizing the newly developed corporate position on the Sustainable Development Goals and develop or refine its training to cover identified needs, if any.**

114. **The Board also recommends that, based on the corporate position and the identified human resources needs, UNHCR refine job profiles and recruit or post staff accordingly.**

115. UNHCR partly agreed with the recommendations and stated that it did not support developing a specific training programme related to the Sustainable Development Goals, but instead suggested integrating relevant content into existing learning programmes. In addition, UNHCR does not suggest conducting a specific needs assessment for the Sustainable Development Goals.

116. The Board holds that without assessing the human resources needs necessary for operationalizing the newly developed corporate position on the Sustainable Development Goals, no reliable decision can be made as to whether it would be useful to develop specific training programmes or to integrate relevant content into current learning programmes. Therefore, the Board maintains the recommendations.

Guidance for engagement of UNHCR in the Sustainable Development Goals at the country level

117. In its preliminary guidance note on engagement in the Sustainable Development Goals, UNHCR identified the following processes as entry points for specific initiatives at the country level: engagement in national planning processes; coordination among regional platforms; contributing to processes related to the United Nations Development Assistance Framework; and improving data and statistics. The Board noted that in its annual administrative instructions, UNHCR stated that it expected country operations to consider the Sustainable Development Goals while developing their operational planning. The Board also noted that UNHCR had provided preliminary guidance on translating the comprehensive refugee response framework approach and the multi-year, multi-partner planning strategies in pilot countries into country operation plans. During its field visits to the country operations, the Board noted that operations were engaged in several Goals in the respective countries but had not drafted country strategies specifically related to the Sustainable Development Goals.

118. The Board noted that UNHCR programming has to be adapted to national systems. The Board further noted that while the preliminary guidance on the Sustainable Development Goals might be a first step, there was room for enhanced operational guidance for country operations on how to develop the country operations plans. The Board also saw a need for more specific guidance on relevant Goals in order to guide contributions by UNHCR to the United Nations Development Assistance Framework, budgeting and integration at the country level.

119. **The Board recommends that UNHCR develop more specific guidance on how to implement the corporate position on the Sustainable Development Goals.**

120. **The Board also recommends that UNHCR define reasonable targets for developing, implementing and managing engagement of country operations in the Sustainable Development Goals so as to support an effective and coherent approach for UNHCR engagement in the Goals in the field.**

121. UNHCR concurred with the recommendation.

UNHCR Sustainable Development Goal engagement at the country level

122. The Board noted that the most relevant contributions of the day-to-day work of UNHCR country operations to the Sustainable Development Goals was to cover basic needs such as shelter, primary health care, food security and education for persons of concern. During the field visits, the Board noted that UNHCR also supported implementing country-specific commitments for the comprehensive refugee response

framework. At the same time, the Board took note of continuous enhancements in the participation of UNHCR in the United Nations country team and in several country-specific results groups under the United Nations Development Assistance Framework.

123. The United Nations Development Assistance Framework guidance stated that a coherent response across the development, humanitarian and peacebuilding efforts in crisis and post-crisis settings required a shared vision and articulation of collective outcomes by a wide range of partners, including United Nations and non-United Nations actors, based on their comparative advantages and over multiple years. In some protracted crises the United Nations may bring together development and humanitarian support in the Development Assistance Framework through the articulation of collective outcomes based on joint analysis and multi-year planning. There are also scenarios where there is a need to ensure a separate humanitarian space. In these cases, humanitarian support should not be part of the Development Assistance Framework and the humanitarian response plan and/or the refugee response plan should remain separate, albeit well aligned. In these contexts, direct links between the Development Assistance Framework and the humanitarian response plan and/or the refugee response plan should be made to ensure complementarity, sequencing of development and humanitarian activities and compatibility of results frameworks.

124. The Board acknowledges that UNHCR has increasingly articulated and coordinated the related joint objectives under the humanitarian-development nexus and the Sustainable Development Goals, which are captured in outcomes in the United Nations Development Assistance Framework. The Board also noted that in some cases the United Nations country teams have established task forces in the countries, aimed at guiding and supporting the national Governments in aligning national development plans to the Goals. In the countries the Board visited, the task forces are intended to provide coordinated strategic and coherent inter-agency support and ensure that all current Goal-related initiatives among the United Nations agencies, funds and programmes are properly linked. The Board further noted that for coordination purposes, United Nations agencies were expected to participate in the process.

125. In the countries it visited, the Board took note of the positive developments and active role of UNHCR in achieving more integrated United Nations Development Assistance Frameworks, including development and humanitarian work. The Board found that the participation of UNHCR in the United Nations Sustainable Development Goals task forces has been limited in the countries it visited. The Board further noted that the coordination processes differ for the comprehensive refugee response framework and the working groups under the Development Assistance Framework. The Board holds that country operations have the potential to enhance the approach on how to pursue the contributions of UNHCR to the Goals through the different processes.

126. **The Board recommends that, based on the corporate position and guidance to operationalize that position, country operations map and align current approaches so as to develop a plan on how they intend to support national Governments in implementing the Sustainable Development Goals through support, where applicable, of the comprehensive refugee response framework, the United Nations country teams and the implementation of the United Nations Development Assistance Framework.**

127. UNHCR agreed with the recommendation.

128. In the New York Declaration for Refugees and Migrants (General Assembly resolution 71/1), Member States specifically task UNHCR with coordinating the

comprehensive refugee response framework process. The responsibilities for implementing the Sustainable Development Goals and the comprehensive refugee response framework lie with Member States. UNHCR may contribute to these processes, but has to respect the ownership of Member States. The Board noted that the comprehensive refugee response framework implementation offered potential opportunities for refugees to be integrated into national systems. The Board found expectations towards UNHCR from all stakeholders to be high but the resources available to UNHCR for coordinating the complex process were limited.

129. The Board was pleased to note that UNHCR supported the comprehensive refugee response initiatives in pilot countries. The Board is concerned that UNHCR might not be able to respond to the high expectations of stakeholders owing to funding constraints on UNHCR as well as lack of other funding coming to partners. The Board also found that risks relating to the role of country operations in facilitating the comprehensive refugee response framework were not yet fully captured in the corporate risk register.

130. **The Board recommends that country operations further refine the risk registers in place to better capture risks deriving from Sustainable Development Goal engagement, the multi-year, multi-partner planning process, where applicable, and engagement for the comprehensive refugee response framework.**

131. UNHCR accepted the recommendation and will encourage country offices to update their risk registers accordingly.

Country-level cases

132. UNHCR has provided country-specific case studies on current approaches to illustrate its contributions to support national Governments to engage in support of the Sustainable Development Goals and to integrate persons of concern into national systems. This includes economic integration of refugees in Kalobeyei (Kenya) and Assosa (Ethiopia), regional interventions in support of the Sustainable Development Goals by the regional service centre in Nairobi, country examples of Sustainable Development Goals from Brazil and Mauritania, and high-level engagement and technical support by UNHCR to the African Union and the Economic Commission for Africa.

133. While the examples illustrate successful approaches to engagement in support of the Sustainable Development Goals, the Board noted that there was room to enhance the format of collecting information on country initiatives. Such collection of information may foster access to information, appreciation of achievements and the development of lessons learned that will promote mainstreaming of some of the successful approaches. The Board is of the opinion that this may help to enhance awareness at headquarters of specific needs in country operation.

134. **The Board recommends that UNHCR systematically collect country-level case examples of engagement in support of the Sustainable Development Goals so as to ensure knowledge transfer and provide adequate management responses.**

135. UNHCR agreed with the recommendation.

Fraud and corruption prevention

136. The Board noted that some UNHCR country operations functioned in environments that make the operations vulnerable to fraud and corruption. Owing to the mandate of UNHCR and the nature of its business, UNHCR cannot avoid operating in these areas that are vulnerable to fraud and corruption.

137. The Board further noted that a strategic framework for prevention of fraud and corruption was in place at UNHCR. The strategic framework outlines UNHCR policies and methods to strengthen the prevention of fraud and corruption and applies to any fraud or corruption (actual, suspected or attempted) involving UNHCR staff members. The framework also covers any party, individual or corporation that has a direct or indirect contractual relationship with UNHCR or that is funded wholly or in part from UNHCR resources. The framework is supplemented by a handbook on fraud and corruption prevention, detection and reporting at UNHCR, which provides more detailed guidance on how to prevent and report on fraud and corruption.

138. In addition, UNHCR has a policy addressing fraud committed by persons of concern, supplemented by operational guidelines which provide more detailed information and practical guidance to support the operationalization and implementation of the policy.

139. The Board holds that the level of exposure to the risk of fraud and corruption is determined mainly by the interaction of environmental and personal factors, together with opportunity and the probability of detection, followed by sanctions. In the Board's view, it is management's core responsibility to address these factors. With the strategic framework, the handbook, the policy on addressing fraud committed by persons of concern and the supplemental operational guidelines, UNHCR has useful tools in place to assist management with its tasks in addressing fraud and corruption prevention.

Official investigations of the Inspector General's Office related to fraud and corruption

140. The investigation function at UNHCR has been assigned to the Inspector General's Office. The Inspector General's Office has reported cases of alleged fraud to the Board, which include fraud related to registration and determination of refugee status, recruitment fraud, entitlement and benefit fraud, misuse of assets, and embezzlement. The Inspector General's Office opened official investigations that are either ongoing (pending) or closed at year-end for 2017 and 2016 as follows:

Table II.5
Official investigations

Investigation of fraud cases as at year-end	*2017*	*2016*
Pending fraud cases	42	51
Fraud cases for which investigations were closed	86	50
Thereof proven	*38*	*24*
Total investigations	**128**	**101**

141. UNHCR reported 38 cases of proven fraud during 2017, resulting in financial losses amounting to $1,230,000 (2016: 24 cases accounting for losses of $140,000). The increase in financial losses was caused to a large extent by one case. The Board holds that the relatively high numbers of detected fraud cases and launched investigations are an indication that UNHCR internal mechanisms for detection of fraud and corruption are functioning properly.

142. The Board acknowledges that the country operations it visited had analysed or reflected on identified cases of fraud so as to identify their causes and the circumstances which fostered their occurrence. As a result of these exercises, the country operations took corrective action such as reviewing and enhancing current

processes as well as strengthening the awareness of the negative impacts of fraud and corruption.

Areas for enhancement of fraud and corruption prevention activities

143. The Board also noted that the country operations it visited had different levels of maturity with regard to their fraud and corruption prevention activities. Thus, the Board also identified the following areas in which the country operations it visited could enhance or refine their fraud and corruption prevention activities.

144. The fraud and corruption risk assessment is integrated into overall risk management processes at UNHCR, which are detailed in the enterprise risk management framework. The Board acknowledges that all country operations it visited identify risk areas that are vulnerable to fraud and corruption. However, the quality of the provided risk assessments differed between the country operations. For instance, the assessment of impact by the country operations and the likelihood of the fraud risks identified were not always properly documented and mitigating measures could have been more specific. In some operations, the risk assessments also seemed to be incomplete or were not properly linked to the objectives of the operation. Also, some operations had a clear focus on addressing fraud committed by persons of concern, whereas the assessment of other forms of fraud showed room for enhancement. Therefore, the Board sees opportunities to enhance the risk assessments, which are an important basis for any fraud and corruption prevention activities, while at the same time strengthening awareness of the negative impacts of fraud and corruption.

145. **The Board recommends that UNHCR country operations refine their risk assessments with regard to the identification of areas that are vulnerable to fraud and corruption.**

146. UNHCR agreed with this recommendation.

147. The Board also noted that some country operations had developed action plans or initial fraud prevention strategies. However, one operation seems to have mostly relied on the initiatives provided by headquarters. In addition, the Board found that some developed action plans had a strong focus on addressing weaknesses identified during the analysis of fraud cases the operation had faced. Other fraud areas pointed out in the handbook received less attention. Most country operations visited by the Board had not yet developed an action plan to address the guidance issued in the handbook. Furthermore, operations had not reflected on the fraud and corruption context of the operating environment.

148. **The Board recommends that UNHCR country operations develop or enhance comprehensive overall anti-fraud and anti-corruption strategies that are customized to the local context when the risk assessment of a country operation reveals a higher vulnerability to fraud and corruption.**

149. UNHCR concurred with this recommendation.

150. The Board positively noted that one of the country operations it visited had established a risk management, compliance and quality unit. One task of this unit is to strengthen policy compliance and risk management with a particular focus on fraud, corruption and integrity. It appears that this operation had a more proactive, innovative approach towards fraud and corruption prevention than the other operations visited by the Board. In the Board's view, on the one hand this positive approach was driven by external factors such as pressure by donors, while on the other hand, the newly established unit had the resources to foster the topic and raise awareness. Therefore, the Board holds that contact officers or units for fraud and

corruption prevention can be a valuable tool to raise awareness and support heads of offices in their task to prevent fraud and corruption.

151. The Board further noted that UNHCR had launched the risk management 2.0 initiative to strengthen integrity and address root causes of corruption and fraud. This initiative is aimed at ensuring that strategic planning and decision-making are consistently informed by operational and management risks. The scope of the initiative is quite broad and one of its ambitions is that in complex operating environments, fraud, corruption and exploitation and abuse of persons of concern are identified earlier and are stopped. The same applies to any use of funds for unauthorized purposes or contrary to United Nations values and rules. Under this initiative, among other things, UNHCR intends to embed additional risk management capacity in the selected operations to strengthen local management for a specific period of time. The Board expects this initiative to have a positive influence on UNHCR fraud and corruption prevention activities. In the Board's view, this initiative is an opportunity to assist the selected country operations in strengthening their fraud and corruption prevention activities.

152. **The Board recommends that UNHCR country operations not selected for the risk management 2.0 initiative assess whether international staff could serve as a first contact point for staff of an office with regard to fraud and corruption prevention.**

153. UNHCR agreed with this recommendation.

154. The Board noted that most of the country operations it visited had not identified job rotation for national staff as a measure to mitigate fraud and corruption risks. The Board holds that a job rotation policy in areas vulnerable to fraud and corruption is a good practice and an effective measure to reduce exposure to potential fraud and corruption. Job rotation not only means rotating among locations but also between areas of responsibility. In addition, the handbook stipulates that UNHCR should encourage staff members in key finance, accounting, procurement and human resources positions to use rotation of jobs, tasks or assignments as a preventive measure to mitigate the risk of fraud and corruption.

155. **The Board recommends that UNHCR country operations assess whether job rotation for national staff could be a useful mitigation measure. Such a job rotation process for national staff should be designed and developed depending on the organizational structure, responsibilities, skill sets and risk profiles.**

156. UNHCR concurred with this recommendation.

157. Concerning the awareness of staff, partners, intermediaries and persons of concern with regard to fraud and corruption prevention, the Board noted that UNHCR had some standard tools such as complaint boxes and email addresses in place to receive complaints and allegations of fraud and corruption. In addition, the Inspector General's Office is accessible for all UNHCR staff members and other complainants to report instances of misconduct by confidential fax and email and an online complaint form.

158. In 2016, UNHCR had decided that the annual code of conduct refresher session would be focused on fraud and corruption. Most country operations visited by the Board conducted this refresher session and about 33 per cent of all UNHCR staff had completed the session. In addition, UNHCR launched an e-learning course on fundamentals of fraud and corruption awareness. This training was designed to enhance awareness of fraud and corruption among all staff in the organization. The training includes several exercises presenting various everyday situations with possible fraudulent activities. This training is not mandatory and as at 31 December

2017 about 9 per cent of all UNHCR staff and its affiliate workforce had completed the course.

159. The number of activities observed to raise awareness of fraud and corruption prevention in country operations varied and some offices seemed to be more proactive than others. However, the Board noted some good practices as to how senior management set good examples of behaviour to encourage staff to participate in training on fraud and corruption prevention or to strengthen awareness in general.

160. For instance, in one country operation the branch offices decided to make training on fundamentals of fraud and corruption awareness mandatory for all staff after the branch office had noted a low level of participation in the training course. The Board also noted alternatives to making courses mandatory. The Board found one case where senior management emphasized the importance of fraud and corruption prevention to their staff and encouraged them to take part in the e-learning. In this case, the senior management also organized discussion sessions on fraud and corruption prevention to strengthen the effect of the training. The Board is of the opinion that having such a tone at the top can have a lasting effect on staff and encourage them to participate in non-mandatory training. Another example of good practice is a sub-office where senior management actively engaged in on-the-job training of protection staff to increase compliance and understanding of revised processes.

161. The Board holds that training on fraud and corruption prevention is an important element to raise awareness on these matters. Training activities are more effective when taken on a recurring basis. In the Board's view, it is a good practice if training activities are also tailored to the positions and the responsibilities of staff members participating, as well as to the local contexts. Employees and supervisors have to deal with different elements of fraud and corruption prevention in their daily work.

162. **The Board recommends that UNHCR continue to actively promote awareness of the negative impacts of fraud, corruption and sexual exploitation and abuse with staff, partners, intermediaries and persons of concern**.

163. **The Board also recommends that UNHCR country operations refine local training approaches on fraud and corruption prevention. Training programmes should be provided on a regular basis and be tailored to the daily work requirements, assigned responsibilities and the cultural context**.

164. UNHCR agreed with the recommendations.

Use of individual consultants

165. Based on the policy on individual consultants of 20 June 2013 and standard operating procedures for engaging individual consultants of February 2017, revised 14 March 2018, UNHCR is engaging individual consultants under a temporary contract on the basis of possession of special skills or knowledge not readily available in UNHCR and for which there is no continuing need. UNHCR had 591 individual consultant contracts in place in 2016 and 512 contracts in 2017. UNHCR expenses on individual consultants amounted to $9,893,538 in 2016 and to $12,941,000 in 2017.

166. The Board noted that UNHCR had decentralized the hiring and contract management process. The Director of the Division of Human Resources Management has delegated the authority to approve consultancy contracts to other directors within their respective divisions or regional bureaux, who can also delegate the management of consultancy contracts to regional representatives. For headquarters, the responsibility to manage consultancy contracts lies with the directors of the respective divisions, supported by the Resource Management Units in the divisions. Most of the directors of the regional bureaux did not delegate the authority to manage individual

consultants to a regional representative. Nevertheless, the responsibilities for the process are shared between regional bureaux and the country operations. The activities of the country operations are limited to the needs assessment, the request for the position, the vacancy announcement and the listing and interviews of candidates. The regional bureau approves the position, awards the contract and remains with the overall responsibility for contract management. The Director of the Division of Human Resources Management has an oversight function in the process. Special cases defined in the policy, such as waivers for exceeding the cumulative contract value and contracting former employees and retirees, are referred to the Director of the Division of Human Resources Management for review and approval. Since 16 August 2017, all new individual consultants have been cleared by the Affiliated Workforce Unit of the Division of Human Resources Management prior to awarding the contract.

Non-compliance with UNHCR policy and standard operating procedures for the use of individual consultants

167. The Board found that UNHCR did not comply with its policy. Areas of non-compliance included provisions on the engagement, selection, monitoring and evaluation of individual consultants, as well as the payment process.

168. For instance, during the engagement process the Board noted 11 cases where UNHCR had hired consultants to perform regular day-to-day functions of staff members or to have representative or supervisory responsibilities although these practices were not permitted pursuant to the policy. UNHCR also hired consultants for work that was not temporary, which is also not in line with the policy. The Board noted that in five cases UNHCR had awarded at least five contracts per consultant with similar terms of references. In addition, UNHCR exceeded thresholds established by the policy such as the cumulative contract amount of $150,000 for 24 months in a 36-month period in 11 cases without adequately requesting required waivers in five cases.

169. The Board also noted that the monitoring and evaluation of service delivery became difficult as UNHCR kept the terms of reference at a generic level. The terms of reference for the individual consultants did not define tangible and measurable work outputs, deadlines or deliverables. In addition, the evaluation report was not always on file and sometimes was compiled late. The Board also found that the evaluation reports did not include a narrative assessment of service delivery and linkages to the outcomes as established in the terms of reference. Furthermore, UNHCR initiates payments based on the information provided by hiring officers confirming service delivery. The Board also noted that there were different procedures throughout the organization to oversee consultants' attendance for payment reconciliation. The Board noted that attendance sheets were not available, provided too late and lacking the signatures of supervising officers.

170. Moreover, the Board noted that UNHCR did not calculate the consultants' fees based on a standardized process and template. In several cases, the determined fees exceeded or undercut the corresponding fee range of the experience level required in the terms of reference. The Board additionally noted that in one country operation two consultants received duplicate payments of their fees from a headquarters bank account and the country operation's bank account for several months. Having detected the issue of duplicate payments, UNHCR proposed an extension of the contracts where the consultants were expected to work without receiving payments to compensate for parts of the received duplicate payments. The Board is of the opinion that the re-engagement of consultants demonstrating negligent behaviour was not a good management practice.

171. The Board holds that compliance with major provisions on engagement, selection, monitoring and evaluation of individual consultants as well as the payment process is necessary to ensure effective consultants' contract management and cost-effective use of funds.

172. **The Board recommends that UNHCR enhance compliance with its policy and standard operating procedures on individual consultants, ensure effective consultant contract management and consider centralizing some tasks of the hiring units to obtain a higher level of specialization.**

173. **The Board also recommends that UNHCR assess whether an automated system control in the UNHCR MSRP platform could be established for cases exceeding the threshold of $150,000.**

174. **The Board recommends that UNHCR establish a UNHCR-wide control to prevent duplicate payments of consultant fees from headquarters bank accounts in parallel to payments from an operation's bank account.**

175. UNHCR accepted the recommendations.

Room for enhancing UNHCR policy and standard operating procedures for the use of individual consultants

176. In addition, the Board noted that UNHCR should review its policy and standard operating procedures for the use of individual consultants. Areas for enhancement of the policy and supplementing standard operating procedures included the selection and engagement process, standardization of the determination and documentation of negotiation of the consultants' fees, the horizontal segregation of duty when waivers (e.g. with regard to shortlisting of candidates or exceeding thresholds) are issued and the filing system.

177. For instance, it was not clear how UNHCR divisions and regional bureaux determined consultancy fees. The Board noted that UNHCR did not introduce a standardized calculation/computation template to support hiring units in determining the fee. Therefore, the process varies within the organization. The Board also noted that UNHCR was of the opinion that the current consultancy scheme did not provide sufficiently high rates for highly specialized consultants, but was not conducting market studies to identify whether the UNHCR consultancy scheme was competitive. The Board holds that, when exceeding the fee range, UNHCR needs to develop clear criteria for approval of a waiver so as to be consistent in the process. The Board further takes the view that UNHCR should regularly update the consultancy scheme in order to be able to provide competitive fees based on reasonable market research and in coordination with other United Nations agencies.

178. In addition, the UNHCR policy and standard operating procedures do not include clear guidance for hiring units as to when to use an advertisement as the most competitive selection method compared with a shortlisting process with limited competition. The Board also noted that for five individual consultants with high overall contract values of more than $240,000, the contracts were not competitively awarded. The Board is concerned that owing to the absence of thresholds, major contracts can be awarded to individual consultants without competition and without any approval by an authority outside the hiring division or regional bureaux. The Board is of the opinion that waiving the requirement to shortlist candidates should not be at the discretion of the divisions and the regional bureaux, since they are also the responsible authorities for awarding the contract. This may lead to a conflict of interest and limit horizontal segregation of duties which should be an integral part of the waiver process.

179. The Board further noted that UNHCR did not define criteria supporting the decision-making for waiver requests when the threshold of $150,000 is exceeded. The Board is of the opinion that this might bear the risk that decision-making will vary based on the discretion of the Division of Human Resources Management. The Board further noted some cases where the Division of Human Resources Management had contracted consultants in its Division and had exceeded the threshold of $150,000. Therefore, the Board is of the opinion that the approval for a waiver in these cases should be requested from another division which is not involved in the recruitment process to further enhance segregation of duties in the process.

180. The files of headquarters consultants are managed in the divisions, while those of consultants contracted for country operations are managed in the regional bureaux. The Board noted that country operations did not have access to the consultant electronic folders in the UNHCR document management system and that only some of the process documents were available at the country operation level. At the regional bureaux and headquarters levels, the Board also found several cases where files were not complete and documents were not filed in a structured manner. The Board therefore noted that there was room for improvement in the management of consultants' files, including in terms of having a standardized minimum content, either as hard or soft copies. The Board is of the opinion that country operations would benefit from having access to the electronic folder so as to enhance information management.

181. **The Board recommends that UNHCR review its policy and the standard operating procedures for the use of individual consultants. During this process UNHCR should enhance the guidance on advertising requirements, the segregation of duties, waiver processes, processes to determine and negotiate consultant fees, documents supporting payment reconciliation and the file management process.**

182. UNHCR concurred with the recommendation.

Accessibility

183. The Convention on the Rights of Persons with Disabilities entered into force on 3 May 2008 and stipulates the overall context and guiding principles for the employment of persons with disabilities. The General Assembly, in its resolution 61/106 and 62/170, requested United Nations agencies to disseminate information on and promote the understanding of the Convention and the Optional Protocol thereto. The Assembly also requested the Secretary-General to improve the accessibility of facilities and services of the United Nations system by progressive implementation of standards and guidelines. The Board reviewed the efforts made by UNHCR to provide an accessible and inclusive work environment for staff with disabilities.

184. UNHCR developed an internal office memorandum on the employment of persons with disabilities in November 2008, which came into force as a policy in December 2013. The policy emphasizes the commitment of UNHCR to provide equality of access to employment and its interest to recruit and maintain a diverse and skilled staff that includes persons with disabilities.

185. The UNHCR People Strategy 2016–2021 incorporates inclusion and diversity as one of the organizational goals. Addressing disability is a critical part of the Strategy. The implementation plan for the People Strategy was simplified and streamlined in November 2016.

186. The Board noted that UNHCR was moving towards streamlining and simplifying policies with the intention of giving up separate, stand-alone administrative instructions on disability. The Board further noted that UNHCR

planned to adopt a mainstreaming approach to ensure that matters of disability inclusion were incorporated into all human resources-related policies. UNHCR further intends to mainstream the specific needs of colleagues with disabilities, while capturing critical principles and a non-discriminatory approach within the policy on inclusion, diversity and gender equity. The policy, which UNHCR expects to be available in 2019, will outline the key principles in respect of creating an inclusive work environment at UNHCR.

187. The Board further noted that UNHCR had started mainstreaming measures to include persons living with disabilities into relevant policies. UNHCR was developing or revising administrative instructions so as to include the topics of "Working and living conditions in the field", "Return-to-work strategies and workplace accommodations procedures" and "Medical clearance and fitness to work". These administrative instructions would contain standards for universal design and access for persons with disabilities. UNHCR was also in the process of developing a policy on occupational safety and health as the overarching framework to manage the employer's duty of care to all its staff members, including staff with disabilities.

188. Based on the statistics available, the Board noted that UNHCR employed one staff member with disabilities in 2016 and three staff members in 2017 and provided five workplace accommodations in 2016 and eight workplace accommodations in 2017. Interventions covered support for medical constraints, exceptions for missions, travel restrictions and telecommuting. UNHCR also recognized that staff with disabilities did not always require formal workplace accommodations. However, any statistics available do not need to necessarily reflect the real number of staff with disabilities. Not all persons with disabilities disclose their disabilities to their employers. The Board welcomes the commitment of UNHCR to finding better ways of capturing data by developing new tools.

189. The Board noted the commitment of UNHCR to embracing and promoting diversity, in all its forms, so as to foster greater awareness of the diverse perspectives and capabilities of people with disabilities. The Board noted that UNHCR headquarters has inserted a statement to encourage applications from persons with disabilities in all job advertisements. The Board further noted that UNHCR has initiated action to identify and address the needs of persons with disabilities in its workforce. Workplace accommodations and clearance for field operations for individual staff with disabilities are handled on a case-by-case basis by means of the medical clearance process. Staff members are protected from being mandatorily assigned to such places in case of medical constraints. For these staff members, rotation does not apply. The Board found that the UNHCR buildings in Geneva and Budapest were fully accessible for persons with physical disabilities. The Board further noted that UNHCR intended to include guidance on accessibility issues, with clarifications in respect of qualifying types of locations, including with regard to security risks, in the administrative instruction concerning living and working conditions which was currently under development. The Board further noted that UNHCR continued to make efforts to equip colleagues with the knowledge and skills to be fully inclusive and respectful by developing guidance for accessible meetings and events and resource toolkits on how barriers to inclusion of persons with disabilities can be addressed in UNHCR.

190. The Board noted that UNHCR had appointed an inclusion, diversity and gender senior adviser working under an individual consultant's contract as the focal point for disability issues. The Board is concerned that tasks that are continuously needed are delivered by an individual consultant whose engagement is temporary and limited. UNHCR also established a senior management group overseeing the inclusion,

diversity and gender workplan and a challenge team seeking input from workforce members living with disabilities.

191. The Board was pleased to note the efforts of UNHCR in providing an accessible and inclusive work environment for staff with disabilities. The Board also noted that the People Strategy implementation plan did not comprehensively reflect all policy interventions and activities planned regarding inclusion. The Board also noted room for refinement concerning regular revisions of the plan based on changing priorities and regular reporting.

192. **The Board recommends that UNHCR continue to actively promote and further strive for equal access to employment opportunities within UNHCR for persons with disabilities.**

193. **The Board further recommends that UNHCR review the People Strategy implementation plan and data sources so as to be able to monitor progress until the new policy and corresponding monitoring framework for diversity and inclusion is established in 2019.**

194. **The Board also recommends that UNHCR consider appointing a regular staff member as the focal point for disability issues in headquarters in order to institutionalize the function within its organizational structure.**

195. UNHCR concurred with the recommendations.

Selected observations on supply chain management

UNHCR global warehouse in Copenhagen

196. On the basis of the Board's visits to headquarters and the global warehouse in Copenhagen, the Board identified potential efficiency gains with regard to the location of the UNHCR global warehouse in Copenhagen. A review undertaken by a third party in 2014 included the proposal that shipments to Africa should be excluded from the warehouse in Copenhagen. The Board's own analysis revealed that in the period 2015–2017, 100 per cent of the stock came from Asia, while a substantial part of outgoing shipments went to countries in the southern hemisphere, including Africa. The Board noted that shipping rates were not determined based on distances but rather on trade lanes (e.g. the cost of transporting a container from China to Europe is significantly higher than a container going from Europe to China due to unbalanced demand under the forces of supply and demand). That correlation between distance and cost is not always given for sea transport. Therefore, decisions linked to the future of this warehouse should be based on a comprehensive assessment and a sound rationale. The Board also noted that a third party was currently undertaking a review of the Copenhagen and Accra locations.

197. The Board acknowledges the efforts of UNHCR related to the ongoing review of warehouse locations, although it remains unclear why the analysis was not conducted earlier. The Board also holds that the Copenhagen location does not appear to be cost-effective and the ongoing review indicates the same.

198. **The Board recommends that UNHCR assess whether the global warehouse in Copenhagen provides a cost-effective solution for UNHCR. Alternative options should be considered.**

199. **In addition, the Board recommends that UNHCR review the suitability of global warehouses on a periodic basis.**

200. UNHCR agreed with these recommendations and is in the process of evaluating whether the warehouse in Copenhagen is still in the interest of UNHCR, considering cost-effectiveness and other relevant factors.

201. The Board noted that the last stock count in Copenhagen was undertaken in 2014, while the UNHCR policy required a physical verification of its inventories at least once a year. The agreement between the United Nations Children's Fund (UNICEF) and UNHCR dated March 2016 also provides for an annual stock count. UNHCR did not develop a corresponding methodology and schedule, although that is envisaged in the agreement. UNHCR stated that it had taken remedial action during the course of the audit. A stock count was scheduled for the end of 2017 including an internal investigation on whether future physical stock counts are deemed necessary or whether an exemption should be requested in light of the semi-automatic operation of the warehouse.

202. **The Board recommends that UNHCR conduct an annual stock count for as long as it keeps stock in the warehouse in Copenhagen. Furthermore, the Board recommends that UNHCR establish a methodology for these annual stock counts, as already agreed between UNICEF and UNHCR.**

203. UNHCR concurred with the recommendation and noted that it had started to implement it.

Inventory management

204. The total value of UNHCR stock amounted to more than $237 million in March 2018. This volume included all inventory groups, such as core relief items or similar items such as soap, light mattresses and consumables. The total value of core relief items and similar items was more than $192 million.

205. Approximately $30 million of this stock concerns core relief items that are managed by the Division of Emergency, Security and Supply. These core relief items are stored in global stockpiles. The Division manages this portion of core relief items, which at present includes placement of orders for the global stockpile.

206. Approximately 85 per cent of core relief items or similar items are fully managed by and under the ownership of other divisions and/or services within UNHCR or by country operations themselves. These other divisions, services or country operations also place orders for the stockpiles. Local, regional and headquarters supply staff (including the supply staff of the Division of Emergency, Security and Supply) can and do monitor the stock levels.

207. The Board noted situations in the past where the Division of Emergency, Security and Supply had shipped core relief items to locations where there was sufficient stock nearby belonging to neighbouring country operations. For instance in September 2016, the Division airlifted a number of core relief items from Dubai to Kampala, despite the fact that the Kenya country operation was holding stock for various items needed by the country operation in Uganda. The Division reported that the situation in September 2016 was as shown in table II.6.

Table II.6
Airlift quantities and stock positions, September 2016

Core relief items	*Airlifted quantities (from Dubai to Kampala) in September 2016*	*Quantity on stock with the Kenya country operation in September 2016*	*Quantity on stock with the global stock pile in Kenya in September 2016*
Blankets	12 080	60 716	–
Kitchen sets	7 039	34 949	–
Mosquito nets	62 200	50 562	38 500

Core relief items	*Airlifted quantities (from Dubai to Kampala) in September 2016*	*Quantity on stock with the Kenya country operation in September 2016*	*Quantity on stock with the global stock pile in Kenya in September 2016*
Solar lamps	16 780	510	5 000
Plastic sheeting	10 695	24 144	45 000
Sleeping mats	100 000	94 123	–

Source: UNHCR data.

208. In 2016, the airlift for the Uganda emergency was quite a costly solution to transport the stocks to this emergency operation.

209. Currently, UNHCR relies heavily on decentralized decision-making in its operations where country operations have the authority and responsibility for operational decisions in coordination with the respective regional bureaux. This authority includes the availability of a sufficient level of core relief items and their distribution.

210. UNHCR has no standard approach for country operations to determine the level of core relief items, including contingency stocks, that an operation needs to keep and there is no designated budget for that. The budget for such contingency stocks at the country level comes from the operating level budget, usually managed by the programme function. It is up to the country operation to determine the required levels of core relief items on stock. The global stockpiles managed by the Division of Emergency, Security and Supply are released from the Division's global stockpile to country operations when requested by country operations. Then the core relief items will be distributed to persons of concern by country operations. Within country operations, the authority to release goods from country operations' stocks is not a decision that is taken by supply staff but by the country operations' programme function. The subsequent replenishment of country operations' stocks is also the responsibility of the programme function.

211. The Board holds that country operations having a certain level of contingency stock is a reasonable approach. Country operations cannot predict the exact volume of required core relief items (other than those provided to implementing partners on the basis of a binding agreement). However, the example shown above illustrates that UNHCR also has opportunities to work more cost-effectively. In addition, the Division of Emergency, Security and Supply has the monitoring possibility and the necessary skills to alert regional bureaux and country operations of such opportunities and could advise on the option of distribution or redistribution of core relief items and cost-saving alternatives.

212. Owing to the decentralized structure of UNHCR, the Board takes the view that an internal stakeholder dialogue is needed to identify and implement options to work more cost-effectively when delivering core relief items to emergency situations. The Board expects the Division of Emergency, Security and Supply to take the lead in facilitating the internal stakeholder dialogue needed to conduct such an assessment.

213. **The Board recommends that UNHCR assess how a more efficient management of core relief items in stock, which includes supplies of country operations, could be put in place. This assessment should address the question as to whether UNHCR might be seen as one organization with regard to "ownership" of its inventories.**

214. **The Board further recommends that the Division of Emergency, Security and Supply review all UNHCR inventories on a periodic basis and, if the observations from these reviews permit it, advises regional bureaux and country**

operations on opportunities for an efficient stockpile management at the country level.

215. UNHCR agreed with the recommendations and noted that the recommendations should be read together.

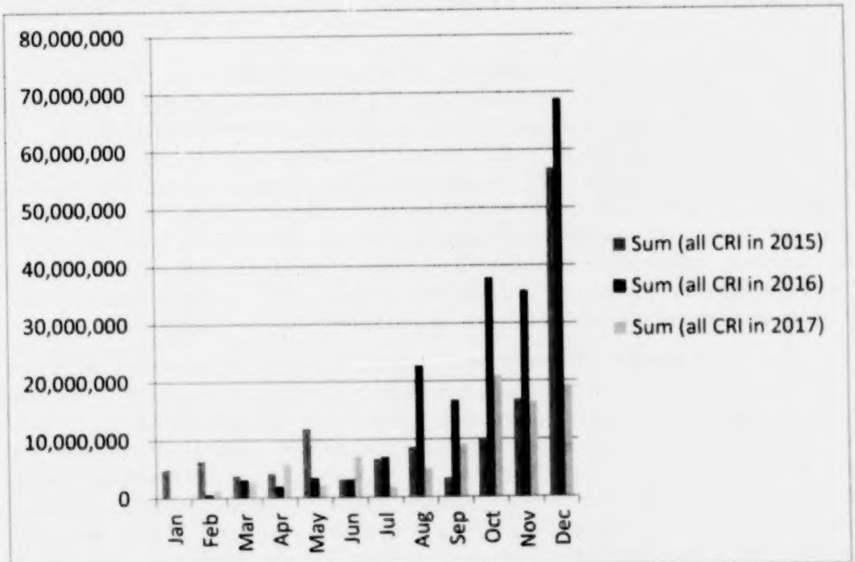
Order placement and procurement

216. In its financial report and audited financial statements for the year ended 31 December 2014, the Board had raised an observation on the uneven spread of donor funding and its impact on the procurement process. It resulted in significant year-end "peaks" that were deemed to result in poor procurement decisions. Among other things, the Board recommended that UNHCR explore ways in which a more even funding spread could be achieved in order to ease the year-end pressure to spend the budget, thereby enabling better procurement planning. The Board noted progress with the implementation of this recommendation. However, the recommendation has been under implementation for some time now.

217. During the course of the audit, the Board has analysed the annual spread of purchase orders for core relief items in the years from 2015 to 2017. The situation is illustrated in the figure below.

Purchase orders for core relief items (by value) placed in 2015, 2016 and 2017

(United States dollars)



Source: Data is based on a list of core relief items as provided by UNHCR by email on 12 February 2018.

Abbreviation: CRI, core relief item.

218. The Board noted that UNHCR supply staff took the view that there are drivers for the above profiles, which must also be addressed in a holistic review, including the following:

(a) Increase in the spending authority for country operations in the course of the year;

(b) Country operations were prioritizing other expenses and the procurement of core relief items was not seen as a priority during the course of the year;

(c) Country operations would engage in procurement activities for core relief items late in the respective year;

(d) Unexpected allocation of additional funds at year-end.

219. The Board noted that UNHCR supply staff explained that the above behaviour led to the following observations:

(a) The pressure to spend funds in a rush may sometimes lead to poor procurement decisions;

(b) Core relief items were sometimes used as a "bank" for country operations. Funds can be relatively easily committed for high value so that the allocated budget is "spent";

(c) The high volume of purchase orders coming together for various items cannot always be allocated to the contractor that offers the best pricing conditions (under the terms of applicable frame agreements) if the supplier cannot deliver as required as the production capacity is being exceeded. This sometimes leads to less efficient expenditure;

(d) The items being ordered under year-end pressure are not always distributed to persons of concern in a timely fashion and may be held on stock longer than necessary. This can lead to an unnecessary capital lock-up and higher storage costs.

220. To assist in aligning planning and distribution, the Division of Emergency, Security and Supply has set parameters for and is currently gradually rolling out a MSRP-based tool called "Demantra". Demantra is a demand planning module that is being rolled out gradually to country operations as resources permit in 2018 and beyond. Country operations will be required to enter their actual requirements for distribution so that UNHCR will be able to start to align its purchasing planning to distribution planning of core relief items. In order for the tool to be most useful, the Division will require active engagement by country operations, regional bureaux and other headquarters divisions, such as the Division of Programme Support and Management and the Division of Financial and Administrative Management.

221. The Board noted a positive trend for purchase orders for core relief items (by value) placed in 2017, but the strong emphasis on late order placement in the last quarter remains. Early order placement and proper purchase planning may mitigate some of the effects described by supply and procurement staff. However, with the decentralized structure of UNHCR, the Board holds that an internal stakeholder dialogue is needed to identify and implement options for more cost-effective order placement. The Board expects the Division of Emergency, Security and Supply to take the lead in facilitating the internal stakeholder dialogue needed to conduct such an assessment.

222. **The Board recommends that UNHCR initiate an internal stakeholder process to assess how more efficient order placement and purchase planning could be put in place.**

223. UNHCR concurred with the recommendation.

Frame agreements

224. During one of its field visits, the Board noted that the country operation had concluded a number of frame agreements for commodities and services such as tyres and spare parts. UNHCR did not have a sourcing strategy that would assist country

operations in the decision-making process as to whether to source any given commodity or service at a local, regional or global level. The Board further discussed the matter with the Procurement Service and the Supply Management and Logistics Service. Among other things, UNHCR stated that frame agreements represented a sourcing option only. Reference was made to examples where the consolidation of requirements led to higher prices or the withdrawal of vendors from the tender. Furthermore, several studies were said to have confirmed efficiency gains if the vendors are closer to the contracting party. UNHCR stated that it decided on the relevant sourcing strategy on a case-by-case basis. However, UNHCR confirmed that it would assess whether further goods and services could be included in the planning process for core relief items.

225. The Board holds that, without a policy in place, there is a risk of unnecessary transaction costs related to the conclusion of frame agreements for various commodities and services at a local, regional or international level. Efficiency gains due to economies of scale are equally lacking. A corresponding policy could assist country operations or regional offices with the identification of candidate items and services in order to arrive at informed procurement decisions.

226. **The Board recommends that UNHCR identify further opportunities for the consolidation of requirements, either at a regional or even a global level**.

227. UNHCR agreed with this recommendation and intends to continue to conduct selective reviews and assess where needs should be consolidated when in the overall interest of UNHCR.

Update of the UNHCR Manual (chapter 8)

228. During its audit at headquarters (the Procurement Service and the Supply Management and Logistics Service), the Board noted that the update of chapter 8 of the UNHCR Manual had not taken place, even though UNHCR had originally planned to complete the update of chapter 8 by 2016. Although chapter 8 is not binding by nature, it constitutes an important reference source for staff, both at headquarters and in country operations. Obsolete information can be misleading, especially to inexperienced staff.

229. **The Board recommends that UNHCR expedite its revision of chapter 8 of the UNHCR Manual in order for staff to gain access to consistent and reliable guidance on procurement procedures**.

230. UNHCR concurred with this recommendation. UNHCR intends to complete the update of chapter 8 of the UNHCR Manual by the end of 2018 for those aspects that concern procurement.

Business continuity management from an information and communications technology perspective

231. Business continuity management consists of different areas. This includes contingency planning with preventive safeguards to avoid emergencies and crises, as well as planning the emergency response, together with the recovery of business processes and ICT systems. The emergency response includes contingency planning and crisis management phases used to overcome the emergency or crisis.

232. A failure or an impairment of the ICT infrastructure may cause serious malfunctions or even the failure of business processes, which may result in enormous damage. In order to prevent emergencies and crises in the organization, it is necessary to establish and operate a disaster recovery plan. Only a planned and well-organized process guarantees optimal contingency planning and emergency response. Suitable preventive measures need to be taken to enable a fast and directed response in an

emergency or crisis. The goal of a disaster recovery plan is to ensure that important ICT components are only interrupted temporarily or are not interrupted at all. This goal applies even to critical situations. The disaster recovery plan can ensure the economic existence of the organization even after incurring serious damage. A properly functioning disaster recovery plan needs to be embedded into the current structures of the organization.

233. The Board noted that UNHCR has established an organizational resiliency management system. ICT disaster recovery is a component of that system. This ICT disaster recovery plan is applicable to UNHCR headquarters and the data centre sites in Europe. Country operations are not considered. Currently, there are several important and critical applications with no disaster recovery coverage, for instance proGres version 4, the biometric identity management system (BIMS) and E-Safe.

234. **The Board recommends that UNHCR include the remaining applications in the disaster recovery plan to increase their data security.**

235. **As part of overall business continuity management, the Board further recommends that UNHCR establish an ICT disaster recovery guideline.**

236. UNHCR agreed with these recommendations.

237. During the field visits, the Board noted that the country operations had not documented and implemented a formal disaster recovery plan. The ICT staff was aware of the steps required to recover from failure or impairment of ICT infrastructure. The staff stated that they had implemented local guidelines for data backup but not in a written form.

238. The Division of Information Systems and Telecommunications had distributed written procedures for backing up operation infrastructure servers in 2016 and again in 2017. Chapter six of these procedures describes in detail the implementation of off-site archiving procedures. In none of the country operations visited were these guidelines fully implemented.

239. For continuity of business processes, a stable ICT infrastructure is necessary. Disaster recovery is not only a backup of data, but also considers the support and the function of business processes in a failure or in an impairment of the ICT infrastructure. Disaster recovery is a vital part of local business continuity management.

240. **The Board recommends that UNHCR implement comprehensive backup and disaster recovery guidelines in every country operation. The guidelines should be embedded in the local business continuity management.**

241. UNHCR concurred with the recommendation.

242. The Division of Information Systems and Telecommunications has created a check list for ICT general computer controls in UNHCR field operations. This checklist will be reviewed and updated from time to time. Furthermore, the Division plans to develop a field office handbook which includes the checklist.

243. The Board welcomes that UNHCR intends to increasingly support the field to harmonize the ICT environment.

244. **The Board recommends that UNHCR review responses from the field to the checklist on ICT general computer controls for UNHCR field operations and that country operations take timely steps to address any significant weaknesses.**

245. UNHCR concurred with the recommendation.

Travel management

246. The UNHCR policy on travel for official purposes states that all travel authorizations need to be finalized at least 16 days prior to the start of any official business travel. Otherwise the programme manager, the administrative officer or a responsible executive has an obligation to provide justification or certification for the travel booking.

247. The Board noted during the analysis of official travel in three offices that a major portion of travel cases with flight bookings did not comply with the 16-day rule. The offices argued that official travel was needed and that they carried out their work in a crisis-related environment. However, this argument could not be linked to the individual travel cases. The Board found that the documentation with regard to the justification provided for non-compliance with the 16-day rule could be enhanced.

248. UNHCR has launched a new travel module in its enterprise resource planning software, which now requires an entry for the justification if the travel starts within the 16-day period.

249. **The Board recommends that UNHCR use the newly introduced travel module in their enterprise resource planning to analyse why the compliance with the policy on travel for official purposes is low and, based on this analysis, that UNHCR assess how cost-effective prices for flight bookings can be achieved**.

250. UNHCR agreed with the recommendations.

C. Disclosures by management

1. Write-off of losses of cash, receivables and property

251. UNHCR reported that it had formally written off assets of $3.8 million (2016: $21.5 million). That balance refers to donation reductions amounting to $3.6 million from two donors, as disclosed in note 10 to the financial statements.

2. Ex gratia payments

252. UNHCR reported that it had made three ex gratia payments totalling $13,874 in 2017 (2016: two, totalling $18,445), as authorized by the High Commissioner. That corresponds with the Board's review of the financial and management records of the organization, which have not identified any other such payments during the 2017 financial year.

3. Cases of fraud and presumptive fraud

253. In accordance with the International Standards on Auditing (Standard 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularities (including those resulting from fraud). The Board's work, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud remains with management.

254. During the audit, the Board made enquiries of management regarding their oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risk of fraud, including any specific risks identified by management or brought to its attention. The Board also enquired as to whether management had knowledge of any actual, suspected or alleged fraud, including enquiries by OIOS.

255. UNHCR reported 38 cases of proven fraud during 2017 resulting in financial losses amounting to $1,230,000 (2016: 24 cases accounting for losses of $140,000). Twenty-eight of the fraud cases were committed by staff members and four by members of affiliated workforces. Five cases concerned partners. One case referred to a vendor. The cases involved embezzlement, entitlement/benefit fraud, misuse of assets, registration fraud, other fraud and theft.

D. Acknowledgement

256. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the High Commissioner, the Deputy and Assistant High Commissioners, the Controller and members of their staffs.

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
(Lead Auditor)

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania

Annex

Status of implementation of recommendations up to the year ended 31 December 2016

Report reference	*Summary of recommendation*	*Administration comments on status, April 2018*	*Board comments on status, April 2018*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
A/72/5/Add.6, chap. II, para. 25	The Board encourages UNHCR to further explore and implement measures to reduce the scope of manual work steps for distinguishing between current and non-current contributions receivable. The Board recommends an improved utilization of data that is available in the Managing Systems, Resources and People (MSRP) platform.	When new pledges are recorded by the Division of External Relations in the MSRP platform (contribution management module), the schedule of payments and due dates becomes part of that recording. These details are then pushed into billing and accounts receivable and are thereafter held in accounts receivable. In those cases where expected due dates are changed owing to contract amendments, the Division informs the Accounts and Financial Service and the dates are changed manually in accounts receivable. At the end of each month, the Accounts and Financial Service prepares an accounts receivable schedule based directly on a download from the accounts receivable module and shares it with the Division of External Relations for review and comment. This enables double-checking of due dates and correction, if required. Based on this, UNHCR considers this recommendation to be implemented.	The Board confirms that UNHCR implemented a process to record the schedule of payments and due dates in the MSRP platform. The implementation reduces the scope of manual work steps for distinguishing between current and non-current contributions receivable. The Board considers this recommendation to be implemented.	X			
A/72/5/Add.6, chap. II, para. 32	The Board recommends that UNHCR liaise with the Copenhagen warehouse management to review the appropriateness of the procedures applied and the actual handling of shipping documents for items owned by UNHCR and stored at the warehouse in Copenhagen. The	The Board visited the Copenhagen warehouse in November 2017 and during the visit observed that supporting documents for incoming and outgoing core relief items were in order and fully acceptable. The United Nations Children's Fund (UNICEF) retains all shipping documents for incoming deliveries, which is the standard practice for all global stock management. In line with the audit recommendation, UNICEF now also signs the packing list as confirmation	The Board visited the warehouse in Copenhagen and reviewed the actual handling of shipping documents for items owned by UNHCR and stored at the warehouse in Copenhagen. The Board considered the process to be appropriate and had no observation on the process. Furthermore, the Board noted that an additional process relating to confirmation of	X			

Report reference	Summary of recommendation	Administration comments on status, April 2018	Board comments on status, April 2018	Implemented	Under implementation	Not implemented	Overtaken by events
	procedures used for shipping documents should be harmonized at the seven global warehouses.	of receipt, which is shared with UNHCR whenever there is an incoming shipment. This process varies slightly from other warehouses where UNHCR receives a goods received note from the warehouse as confirmation for the receipt of a consignment. The note is used as a supporting document when confirming receipt in the MSRP platform. Global stock management in Copenhagen is different from all other global warehouses as this is the only warehouse where UNHCR has no staff assigned within the country to oversee the warehouse processes. Furthermore, the semi-automated warehouse management system in Copenhagen equally varies from other global stock management locations resulting in a different approach for the verification process. Therefore, the processes for the Copenhagen warehouse cannot be 100 per cent harmonized with the other global stock management warehouses. Based on this, UNHCR is requesting that this recommendation be closed.	receipt of deliveries had been implemented. The Board is aware that no UNHCR staff are assigned to the warehouse in Copenhagen and a complete harmonization of processes is not therefore entirely possible. The Board informed UNHCR that the Board considered the handling of shipping documents in the Copenhagen warehouse suitable to verify the documentation of incoming goods. The Board considers this recommendation to be implemented.				
A/72/5/Add.6, chap. II, para. 39	The Board recommends that country operations determine the numbers and types of vehicles needed to meet operational needs and document the underlying assumptions and how country operations arrived at their estimates. In case country operations need assistance with respect to an accepted methodology to	In addition to the guidance note for fleet planning already issued in 2016 as annex A of UNHCR/AI/2016/12, at the end of 2017, the Assets and Fleet Management Section sent to each operation a guidance note on fleet planning for the 2018 vehicle requirements, together with the ordering document and the vehicle catalogue. These documents have been made available to all staff on the intranet site. This and the further enhanced communication with individual operations and with the bureaux have	The Board noted the progress made by UNHCR and confirmed that a guidance note on fleet planning for the 2018 vehicle requirements and an ordering document had been issued by UNHCR. Furthermore, the Board also noted that planning sheets for vehicles, maintenance/repair and disposals had been issued and would be reviewed for each operation. However, the implementation of these tools will take place in		X		

Report reference	*Summary of recommendation*	*Administration comments on status, April 2018*	*Board comments on status, April 2018*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
	estimate the number and types of vehicles needed for the operation, the Board encourages them to liaise with the Assets and Fleet Management Section at headquarters for advice or additional guidance.	considerably increased the number of vehicles planned for renting by the country operations. While in 2016 and prior years, some 250–300 vehicles were requested by the operations, the cumulative requests amounted to 650 units by December 2017. This is a more realistic number considering that between 724 and 1,072 vehicles were added to the fleet annually during the past 3 years. For the annual programme review in 2019, UNHCR has included two dedicated planning sheets for vehicles, maintenance/repair and disposals in the planning instructions (UNHCR/AI/2017/8 on detailed planning and budgeting for 2018, annex I). The Assets and Fleet Management Service will review the vehicle requirements for each operation, discuss them with the bureaux and ensure a more robust planning pipeline for the following year. Considering that detailed guidance for fleet planning is available, the actual planning numbers are more realistic and the vehicle requirements are documented as part of the annual programme review process, UNHCR requests that this recommendation be closed.	2018 and could not be reviewed by the Board. Observations made during the Board's field visits also confirmed that in 2017 the country operations visited could not show adequate fleet planning. Therefore, the recommendation is considered to be under implementation.				
A/72/5/Add.6, chap. II, para. 43	The Board recommends that UNHCR establish a process to actively monitor the status of assets under construction. When construction projects are finalized and assets are in service, a process	Construction projects are now tracked with a unique project identification number and continuously monitored and followed up by the Land and Buildings Unit within the Supply Management and Logistics Service, which monitors office construction projects by collecting purchase orders related to construction projects.	The Board noted that a quarterly standardized reporting has been established to identify the status of construction projects. The involvement of the field offices, the Land and Buildings Unit within the Supply Management and Logistics	X			

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	should be available to ensure that these assets are recorded in the asset management module and that depreciation starts.	Purchase orders are reviewed and project specifics are requested from the field offices (purpose, start/end date, etc.) Based on the feedback received, the Land and Buildings Unit prepares the quarterly construction improvement status report, which is sent to the Division of Financial and Administrative Management for review and as the basis for recording these assets in the asset management module of the MSRP platform, after the appropriate level of capitalization is determined. These are reviewed and analysed and the appropriate capitalization is determined. On a quarterly basis starting in 2018, the relevant asset will be created in the asset management module based on the information provided by the Accounts and Financial Service. This process ensures that assets under construction are completely recorded in a timely fashion. Based on this, UNHCR considers this recommendation as implemented.	Service, the Division of Financial and Administrative Management and the Accounts and Financial Service permits an appropriate monitoring process of the development of construction projects and to identify the depreciation period. In addition, during the audit of the UNHCR financial statements, the Board had no observations on the status of assets under construction. Therefore, the Board considers this recommendation to be implemented.				
A/72/5/Add.6, chap. II, para. 48	The Board recommends that UNHCR establish control procedures to identify the point of time when intangible assets are no longer "under development" and become subject to amortization.	A formal single point of contact has been established between the Division of Information Systems and Telecommunications and the Division of Financial and Administrative Management/Accounts and Financial Service to manage the information flows required to ensure correct annual accounting for intangible assets. A regular monthly procedure was established in 2018 to monitor and follow up, according to which project managers complete a template and report the cost incurred, the status of the project and the planned completion date.	The Board noted that UNHCR started at year-end 2017 to implement a process to identify the status of projects and to monitor the correct point in time when intangible assets were no longer "under development". In addition, during the audit of the UNHCR 2017 financial statements, the Board had no observations on the amortization of intangible assets. In 2018, UNHCR added standardized monthly reports to follow up on the status as a further control step.	X			

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		The year-end process includes a review of capitalized projects to ensure that amortization is begun at the appropriate time for all intangible development projects completed in the period. Based on this, UNHCR considers this recommendation as implemented.	The Board considers this recommendation to be implemented.				
A/72/5/Add.6, chap. II, para. 52	The Board recommends that UNHCR establish a process to reliably identify the internal staff costs related to the development of proGres (and other internally developed software) and capitalize such costs where appropriate.	A process has been established to capture the estimated internal staff cost of all intangible projects. Starting in 2018, project managers are required to fill out an Excel template on a monthly basis with the estimated internal staff cost (as well as non-staff cost) and report it to the Accounts and Financial Service. The 2017 internal staff costs estimated by each project manager were collected at year-end for the entire year 2017, reviewed for compliance with IPSAS standards for capitalization and capitalized where appropriate. UNHCR therefore considers this recommendation as implemented.	The Board noted that the newly established process to identify internal staff costs related to the development of intangible assets. Project managers report these costs, as well as non-staff costs, on a monthly basis. In addition, during the audit of the UNHCR 2017 financial statements, the Board had no observations on the capitalization of staff costs related to the development of software. The Board considers this recommendation to be implemented.	X			
A/72/5/Add.6, chap. II, para. 59	The Board recommends that UNHCR consider the possibility of long-term investments to cover risk-adequate financing of after-service health insurance liabilities.	UNHCR has engaged its actuaries to conduct a comprehensive asset liability modelling study, which comprises a review and assessment of the long-term after-service health insurance liability profile based on the underlying actuarial assumptions and an evaluation performed as at 31 December 2017, as well as building scenarios for appropriate funding targets. A summary of various options for strategic asset allocations are currently being appraised to determine a risk-adequate, long-term investment strategy and to define the expected investment returns. UNHCR is also	The Board acknowledges the results of the asset liability modelling study, namely the assessed liability profile and the developed funding scenarios. The Board welcomes the ongoing participation of UNHCR in the Working Group on Common Treasury Services. The Board encourages UNHCR to continue the review of the various strategic asset allocation options and the collaboration efforts with other United Nations agencies, funds and programmes. The Board		X		

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		examining the possibilities for enhanced collaboration and coordination with other United Nations agencies in managing the long-term investment placement, while leveraging contracts with external investment managers and custodians. The analysis will take into account specific UNHCR after-service health insurance-related internal policies and governing goals. The conclusion and results of the study are expected to be finalized by 30 April 2018. Interim working reports are available with regard to liability modelling with corresponding funding targets. The interim reports also address the definition of relevant criteria for strategic asset allocation and provide an analysis of long-term expected investment returns relevant to the creation of an appropriate composition for the asset portfolio. A position paper for decision-making will be prepared in due course for final approval by the High Commissioner in compliance with the financial rules of UNHCR.	also positively notes the intention of UNHCR to take a decision on the long-term strategy by the end of 2018 at the latest. The recommendation is considered to be under implementation.				
A/72/5/Add.6, chap. II, para. 71	The Board recommends that UNHCR pay close attention to the fact that high-quality reviews and verifications of partners' financial reports are essential to control the implementing partnership expenses when implementing key recommendations of the headquarters review.	UNHCR continues to strive to achieve high-quality reviews and verifications of partners' financial reports so as to obtain adequate assurance over expenses incurred (please see the recommendations below). However, UNHCR will address this recommendation with due regard to the fact that the implementation of the headquarters review's recommendations is at an early stage in the process given the depth and scope of these recommendations.	The Board has noted the UNHCR change strategy 2017–2019 and the progress made by UNHCR in facilitating the change process, e.g. by creating a Division of Resilience and Solutions. However, at the time of the Board's field work, the Board did not obtain an update on the status of the implementation of endorsed recommendations from the headquarters review. Therefore, the Board considers the		X		

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			recommendation to be under implementation.				
A/72/5/Add.6, chap. II, para. 76	The Board recommends that UNHCR review certain templates related to partnerships such as agreements, project descriptions, project workplans, monitoring plans and project risk registers/catalogues and assess if they might be enhanced to better assist country operations to use them in a more consistent way and, where appropriate, with less duplication of information.	The framework for implementing with partners is designed to be flexible and to be continuously enhanced in tandem with the changing operating environments, supported by information technology solutions allowing for efficient and seamless application, and to be embedded in UNHCR organizational information technology support systems. Technical and business requirements for the key partnership management processes have been mapped out. UNHCR continues to review and refine the tools supporting the framework in consideration of aspects such as operational flexibility and partners' accountability. UNHCR is committed to further refining its tools in order to minimize manual processing and to eliminate inconsistencies or duplications between the partnership agreements and other related templates. Under the MSRP project, all types of agreement templates and their related processes, from initiation to managing financial transactions, have been streamlined and embedded in the enterprise resource planning system. Project performance monitoring plans have been standardized and automated to link with risk assessment. Several processes that are currently done off-line and which are planned to be automated, have now been temporarily formatted into Excel sheets, Word documents, etc., while UNHCR is developing an information technology enabler, as an alternative to Focus.	The Board noted additional measures taken by UNHCR to improve consistency in project management and reduce duplication of information. The Board also positively noted an ongoing capacity-building for operations' and partners' staff to apply templates as they are intended. With regard to the ongoing efforts, the Board considers the recommendation to be under implementation.		X		

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A/72/5/Add.6, chap. II, para. 81	The Board recommends that country operations ensure coherent risk assessments within operations and regularly review the quality of the risk assessments for individual project partnership agreements. The risk assessment template recently provided by the Implementing Partner Management Service could support such exercises.	The new risk-assessment template (which is now part of the risk-based project performance monitoring and control toolkit) supports the coherency and quality of management of project risks. The tool has been widely disseminated since June 2017. This has been complemented by awareness-raising, skills enhancement and webinars (214 participants in 2017, 126 participants in 2018). Specific country workshops on practical techniques in the use of the risk assessment tool were also held in five countries. Learning programmes for the framework for implementing with partners and for programme management both include project risk management and constitute part of the UNHCR organizational learning programme. The first cohort for the learning programme for the framework had 202 graduates. This course is also available as stand-alone e-learning for all UNHCR staff through the Learn and Connect platform. Since the 2017 roll-out, a large number of country operations have adopted the tool.	The Board positively noted the roll-out of the implementing partner monitoring and control toolkit in June 2017. This toolkit connects risk assessment and monitoring activities for project partner agreements. The use of the toolkit is voluntary. The Board also recognized that UNHCR had offered online training sessions and started a series of workshops to increase capacity on risk-based monitoring. 2018 is the first full implementing partner budget cycle in which the toolkit is being used. The training sessions are still ongoing. The usage of the toolkit, as well as the effects, will be visible only in 2019. Thus, the Board considers this recommendation to be under implementation.		X		
A/72/5/Add.6, chap. II, para. 87	Therefore, the Board reiterates its previous recommendation and encourages country operations to enhance the quality of their monitoring activities for project partnership agreements and pay greater attention to developing risk-based monitoring plans for individual agreements as well as overall	Since 2015, the Implementing Partner Management Service has been conducting compliance and quality assessment of project monitoring and verification reports on an annual basis. The reports and their findings and guidance for addressing the shortcomings, as well as good practices, are shared with the bureaux which continue to supervise and guide the country operations under their supervision. This exercise is complementary to the risk-based audit with the objective of assessing the field	The Board recognized that UNHCR has kept on assessing project monitoring and verification and noted the improvements made. The report for 2017 was still outstanding at the time of the audit, for which reason a further quality enhancement could not be verified by the Board. The Board further noted that UNHCR has initiated a series of workshops on risk-based monitoring together with an		X		

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	monitoring plans covering all project partnership agreements in an operation. The Board also advised that these plans specifically consider the risk of fraud and enhance checks to ensure accountability for the use of assets.	monitoring and verification practices for further improvement of their quality. For example, the review of 2016 project monitoring showed a notable improvement as compared with the previous year, documenting an increase from 186 reports (28 per cent) in 2015 to 440 reports (58 per cent) for 2016. Asia and the Pacific region were the best performers in comparison with the other regions. This recommendation is also addressed in conjunction with the next recommendation (A/72/5/Add.6, chap. II, para. 88).	audit firm. The expected output is the development of a risk-based monitoring plan. UNHCR especially highlighted experiences from former fraudulent actions as risks to be taken into account. The Board encourages UNHCR to assess the outcome of the workshops and eventually expand the exercise to other country operations. Thus, the Board considers this recommendation to be under implementation.				
A/72/5/Add.6, chap. II, para. 88	The Board also recommends that management in country operations and the regional bureaux regularly review the quality of financial and performance monitoring for projects implemented with partners.	Complementing the above-mentioned exercise (see update for recommendation in A/72/5/Add.6, chap. II, para. 87), the Implementing Partner Management Service, in collaboration with the regional bureaux, has conducted 15 reviews for in-depth analysis and compliance checks, focusing on high-risk countries. The outcome was disseminated to all other countries to draw lessons and integrate those lessons in the annual operational cycle of the partnerships to foster improvement across UNHCR.	The Board recognizes the compliance and quality assessment of project monitoring and verification reports conducted by the Implementing Partner Management Service since 2015. The recommendation advises UNHCR to perform a quality assessment of reporting by partners at the operation or bureaux level to identify country- or region-specific weaknesses and possible corrective measures. Therefore, the Board considers the recommendation to be under implementation.		X		
A/72/5/Add.6, chap. II, para. 96	The Board recommends that UNHCR review and, where appropriate, clarify the country standard operating procedures for cash-based interventions with regard to the	The country operation involved in the cash-based intervention programme has adjusted the country standard operating procedures for cash-based interventions to reflect the implementation of the seasonal support in compliance with the budgetary management rules and administrative	The Board took note that the country standard operating procedures for cash-based interventions were reviewed. In the relevant standard operating procedures it is now made clear that the monthly winter assistance amount serves as a	X			

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	disbursement term of seasonal support. It should be made clear that the support can be granted as monthly payments but that other payment terms, such as one-off payments, are also possible. In addition, the Board recommends that criteria be specified and documented by mentioning cases in which different terms of payment are preferable. These criteria might include consideration of different contexts country operations might face.	instructions on the financial procedures for cash-based interventions and without an adverse effect on assistance to UNHCR persons of concern. Therefore: (a) The standard operating procedures for cash-based interventions for 2018 were revised and updated and included, among other things, a modification to reflect winter assistance as a package; (b) Annex 6 of the standard operating procedures, which is a guidance note for 2017/18 winter assistance, reflects winter assistance via a cash modality as a lump sum. Based on this, UNHCR requests that this recommendation be considered implemented.	basis for a package computation rather than as an amount of single instalments. Furthermore, the guidance note for winter assistance indicates that the transfer may be done in tranches or as a lump-sum payment as appropriate. The recommendation is considered to be implemented.				
A/72/5/Add.6, chap. II, para. 97	The Board also recommends that UNHCR establish clear procedures when country operations want to deviate from their standard operating procedures or have an interpretation that is not covered by the wording of the standard operating procedures. The procedures need to provide for delegation of authority and formal documentation specifications.	The administrative instruction on the financial procedures for cash-based interventions (UNHCR/AI/2017/15) has been issued and is submitted with the present comments. Section 10.4 addresses this recommendation by stating that: "Any procedures that deviate from those in the approved guidance to the SOP due to operational needs must be documented and authorized by the appropriate delegated authority." In addition, all countries implementing cash-based interventions through direct implementation must have their standard operating procedures reviewed and cleared by the Cash-Based Interventions Section in the Division of Programme Support and Management and the Treasury and Cash Service of the Division of Financial and Administrative Management before being approved by	The Board holds that the revised administrative instruction for cash based interventions addresses the recommendation. The recommendation is considered to be addressed.	X			

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		the representative and implemented. The Cash-Based Interventions Section and the Treasury and Cash Service must also review and clear the standard operating procedures whenever they are revised by the country office to reflect significant change, as required in section 10.1 of the administrative instruction. Based on this, UNHCR is requesting that this recommendation be closed.					
A/72/5/Add.6, chap. II, para. 100	The Board recommends that UNHCR ensure the correct use of the new bank charges accounts. The Board intends to follow up on the correct allocation and disclosure of cash-based intervention bank charges in the work of the next financial year.	A general ledger account (639150) has been set up and utilized for recording cash-based intervention financial service provider fees and charges from January 2017. For financial service provider services procured through purchase orders, a separate item code was also created and mapped to this general ledger account. The Division of Financial and Administrative Management closely monitored the recording of this account throughout 2017. The guidance on recording cash-based intervention financial service provider fees and charges is further highlighted in the administrative instruction on the financial procedures for cash-based interventions (UNHCR/AI/2017/15, annex B, sect. B.12). Based on this, UNHCR is requesting that this recommendation be closed.	The Board positively notes that UNHCR has set up a separate general ledger account for financial service provider fees in connection with cash-based interventions in 2017. Furthermore, the Board holds that the administrative instruction on the financial procedures for cash-based interventions provides relevant guidance on the recording of such fees. The fees are included as part of "bank charges" under operating expenses. The Board considers the recommendation to be implemented.	X			
A/72/5/Add.6, chap. II, para. 105	The Board recommends that UNHCR document good practices and lessons learned from the MSRP upgrade project and, where appropriate, use them for other information	The final deliverable for the MSRP upgrade project was the project closure report, which documented project highlights and best practices, as well as issues and challenges, lessons learned and follow-up actions. UNHCR has discussed the good practices and lessons learned from the MSRP	The Board confirms that UNHCR made progress in implementing this recommendation. However, the Board also noted that UNHCR was planning to set up a database to carry forward best practices and lessons learned		X		

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	technology projects. The Board expects this exercise to assist UNHCR in managing its projects in a more efficient way.	upgrade project closure report in the Information and Communications Technology Governance Board meeting, and, where appropriate, implemented the findings in other information technology projects. Based on this, UNHCR is requesting that this recommendation be closed.	starting with the MSRP upgrade project. The Board suggests promoting the database once finished to ensure the use of the newly integrated tool. Therefore, the Board considers the recommendation to be under implementation.				
A/72/5/Add.6, chap. II, para. 113	The Board recommends that country operations monitor non-purchase order purchases on a regular basis and assess whether further efficiency gains could be realized by compiling individual non-purchase order purchases into frame agreements. The Board also advises that headquarters divisions liaise with country operations to explore how the monitoring and oversight of non-purchase order purchases could be facilitated.	UNHCR is in the process of developing a monthly country supply report to track key information regarding supply management by country operation, including the value and number of non-purchase order vouchers, and to follow up on outliers. The target date for major roll-out was 1 June 2018. In March, the report was shared with 10 operations as a pilot resulting in valuable feedback. The monthly country supply reports will be sent to UNHCR representatives and the most senior supply and programme staff of the operations. The report is being developed, maintained and followed up by the Field Procurement Section in the Procurement Service. The report will use data extracted from the MSRP platform and other data sources (various repositories and databases maintained by the Procurement Service) outside the enterprise resource planning system. Operations will provide feedback to the Procurement Service and where improvements are required a consultation process will be initiated between the Procurement Service and the field. The Procurement Service will assess, based on prior experience and	UNHCR has launched a pilot project consisting of monthly country supply reports in order to improve the communication between the field supply units and the Procurement Service at the headquarters level. Moreover, the new system is to enable the Procurement Service to assess areas of non-purchase order purchases where frame agreements and other tender procedures seem to be more suitable. The roll-out is planned for June 2018. The report is based on the results of a specific query within the MSRP platform for non-purchase order purchases and data delivered from the procurement unit at the country office level. However, during its field visits, the Board found that UNHCR contracted individual vendors for non-purchase order purchases, purchased goods and services per category on multiple occasions and with an annual value of more than $16,000. Moreover, in several cases, UNHCR even contracted vendors within a quarter of a		X		

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		looking at a few categories of expenses in information and communications technology or office equipment, whether tenders for frame agreements should be initiated proactively.	year on several occasions exceeding the value of $4,000. Furthermore, country offices had no ad hoc overview of their non-purchase order purchases. Thus, the Board considers the recommendation to be under implementation.				
A/71/5/Add.6, chap. II, para. 14	The Board recommends that UNHCR develop a set of processes, tools and reports that can be applied at the field level to enhance the financial management of programme budgets and expenditure. This should include stronger links between finance and programme staff in the field through joint analysis and review processes.	UNHCR is addressing this recommendation through actions that have been planned and are ongoing in the following areas: (a) Enhancing the financial management responsibilities and competencies of programme staff. An enhanced, multifunctional team approach aimed at strengthening the link between programmes, technical experts, project control and finance is applied in the field and reflected in all learning programmes and manuals. Additional guidance in managing direct implementation has been drafted to provide key messages, which will be embedded in each relevant phase of the operations management cycle. The Global Learning Centre offers a number of training modules covering budgeting; Chartfield combinations; budget structure; and managing results-based budgeting. A special effort was made to provide related training covering system and process aspects so as to globally improve financial management practice in the operations, targeted to programme, finance and project control staff.	The Board noted that UNHCR has developed a tool to link budget management (Focus) to the enterprise resource planning system (MSRP). By using the tool, staff are in a position to analyse budget changes. The budget analysis is part of the budget review and approval processes. The obligatory use of the tool fostered the communication of staff involved. The Board also positively noted that UNHCR has reviewed the guidance on direct implementation to incorporate the multifunctional team approach. The UNHCR Manual also included responsibilities for monitoring budgeting and planning activities. Since the reviewed manual will only be fully implemented in 2018, the Board considers the recommendation to be under implementation		X		

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		A learning programme on the framework for implementing with partners was launched in August 2017 to the benefit of all UNHCR staff, but targeting in particular programme and project control staff. It comprises four modules, four compulsory webinars, on management of UNHCR-funded partnership agreements; partner personnel under UNHCR-funded agreements; policy and procedures on the risk-based project audit approach; and risk-based project monitoring and control; and an optional webinar on project headquarters support costs. The learning programme includes assignments on: (i) risk-based project performance monitoring plan; (ii) recording decisions to entrust UNHCR-funded procurement to partners; and (iii) audit follow-up matrix. Out of a total of 120 participants 43 per cent (52 participants) were programme staff. (b) Developing tools which support lessons learned. The update of the finance and supply chain modules of the MSRP platform was rolled out in May 2017, including Hyperion. A number of improvements were part of this release aimed at facilitating budget analysis. These enhancements include: •Budget changes from submission to submission in any operation are now immediately visible in Hyperion from various perspectives (e.g. results-based management oriented,					

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		partner oriented, etc.), which facilitates the review and analysis of cumulative changes and enables the assessment of the quality of the detailed budget overall, based on experience gained in the previous cycle. •Hyperion real-time reports were added. •Online guidance and live rule-checks and task-list functionality now assist users in the submission of their budgets. •Early detection of budgeting errors is enabled through two new system-automated financial controls. In the framework of the systems upgrade, field and headquarters programme and finance staff involved in financial management have been given access to extended functionality, enabling them to review more reports and analyse their budgets in a timely fashion.					
A/71/5/Add.6, chap. II, para. 24	The Board recommends that UNHCR ensure that the global fleet management strategy is communicated consistently across country and regional offices, and that checks are carried out to ensure that its application across all offices represents best value.	UNHCR engaged a research institute to conduct two independent assessments of the status of implementation of the global fleet management strategy. The studies determined measures to assess the benefits of the strategy, such as fleet size and average fleet age. The latest report covering 2015 and 2016 is now finalized and a copy has been provided to the Board. The latest report concluded, inter alia, that average fleet age dropped from 5.5 years to 3.72 years between 2012 and 2016, while average procurement costs dropped by 12 per cent during the same period. UNHCR achieved a better overview of its entire fleet and	The Board noted the conducted assessment of global fleet management covering the years 2015 and 2016. The assessment shows the positive effects in the field. The Board considers this recommendation to be implemented.	X			

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		increased transparency by managing the fleet requirements and asset disposals centrally in Budapest and shipping vehicles through hubs. Flexibility was enhanced through using the pipeline and hub warehouse stock, which allowed vehicles to be easily reassigned to a different field order. Overall control over the total light vehicle fleet has been substantially improved. In summary, the report issued by the research institute provides objective evidence that the implementation of the fleet management strategy across all offices represents best value to the organization. UNHCR will continue to measure added value generated by global fleet management and is conducting an in-house evaluation of the global fleet management strategy implementation. The objective of this evaluation is to assess the extent to which the purported benefit of the strategy to provide UNHCR field offices and operations with appropriate, cost-effective and safe vehicles and professional fleet management services to support optimum programme delivery has been realized. The terms of reference for this evaluation have been shared with the Board. Based on the above, we request closure of this recommendation.					
A/71/5/Add.6, chap. II, para. 55	The Board recommends that risk registers be reviewed on at least a quarterly basis as a standing item at senior management meetings. Country office	The Office of Internal Oversight Services (OIOS) issued its report number 2017/115 on an advisory review of the implementation of the enterprise risk management policy and procedures at UNHCR on 2 November 2017. In the report, OIOS suggested	The Board noted that OIOS suggested a revision of the UNHCR enterprise risk management policy in its advisory report. OIOS also advised that any action taken on the suggested improvements		X		

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	representatives should take a cyclical approach to scrutinizing risks and their mitigation to ensure that the risk process is fully embedded in their local business processes and utilized in the development of country office plans.	that the revision of the UNHCR policy on enterprise risk management and any action taken on the suggested improvements in its advisory report be done with due consideration to the revised ISO 31000. The revision of ISO 31000 is expected to be issued in 2018 and as a result the drafting of the UNHCR enterprise risk management policy will start late in 2018, scheduled to be issued in 2019. Furthermore, it is to be noted that effective January 2017 internal audit is doing systematic risk management assurance through the review of risk management practices in field operations.	be done with due consideration to the revised ISO 31000. UNHCR is expected to revise its enterprise risk management policy after the revised ISO 31000 is available. Therefore, a revised policy will not be available until 2019. In addition, the Board noted during its field visits that the risk management approach of some operations was not yet as mature as it could be. The recommendation is considered to be under implementation.				
A/71/5/Add.6, chap. II, para. 56	The Board recommends that greater attention be given to the status and quality of mitigating actions in country office risk registers to ensure that they are realistic, complete and updated. The Board also recommends that the bureaux develop their review processes to provide more regular and formal feedback on the quality of mitigating actions and use them as part of country plan considerations.	The annual review and submission of the corporate risk registers and the strategic risk register took place at the end of November 2017. The Enterprise Risk Management Unit is engaged jointly with the bureaux in the review process of the submitted risk registers. During the ongoing reviews, the Unit and bureaux jointly analyse the submitted risk registers to extend the review beyond technical compliance and provide concrete feedback on the risks and mitigating measures specific to the operational context. Feedback is then jointly provided to the operations in preparation for the annual programme review. To further promote risk management concepts and their adoption within the country processes, training for enterprise risk management focal points, back-ups and senior colleagues is ongoing and was organized in the form of online webinars and information sessions at regional meetings, and the most recent	The Board noted during its field visits that reviews of country submissions have been performed and feedback has been provided jointly by the Enterprise Risk Management Unit and the bureau for one of the operations visited. Furthermore, the Board noted that UNHCR had adopted a more intense approach to risk management (risk management 2.0) which is currently being implemented. Therefore, the Board considers this recommendation to be overtaken by events.				X

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		regional face-to-face training was organized in the Regional Office in Dakar, covering 12 operations and the West Africa Regional Office. The UNHCR-specific enterprise risk management e-learning programme has been completed by over 1,300 staff and members of the affiliate workforce. Based on the above, UNHCR is requesting that this recommendation be closed.					
A/71/5/Add.6, chap. II, para. 63	The Board recommends that, following the results of a verification exercise, UNHCR headquarters and regional teams assess the impact, if any, on resourcing requirements in the relevant operation and for other operations in the region, to assess where the extra resources should be deployed.	As stated in the update below under the recommendation contained in A/71/5/Add.6, paragraph 65, the results of the 2017 verification exercise will be shared with relevant bureaux for feedback and input on resource implications.	The Board noted that the verification exercise report was shared with the relevant bureaux. The Board also recognized that the outcome of verification exercises was used in the annual programme review. Headquarters and the bureaux discuss impacts on resourcing resulting from verification exercises. Thus, the Board considers the recommendation to be implemented.	X			
A/71/5/Add.6, chap. II, para. 65	The Board recommends that UNHCR headquarters develop a formal reporting mechanism on the frequency and comprehensiveness of verification exercises, enabling it to obtain assurance as to the accuracy of the data regarding its existing population of concern, and provide a stronger link between the results	In January 2018, the verification exercise reporting template was shared with representatives of all operations through the respective bureaux Directors. Senior Regional Registration Officers have been tasked with ensuring that all verification exercises implemented in 2018 run a script against the proGres version 3 database before and after the verification to compare the change in population demographics, the change in quality of data and the integrity of systems as a result of the exercise. UNHCR is currently consolidating the results of key verification activities	The Board noted that UNHCR has developed a standard reporting template for verification activities and provided the template to the operations. However, UNHCR has not yet developed a formal reporting mechanism. The frequency of verification exercises is decided by the operations. In general, verification exercises should take place at least every 24 months. In 2017, UNHCR conducted 21 verification exercises in 20 operations (out		X		

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	and the deployment of resources.	from 2017, including applying "before" and "after" standard reporting templates in respect of the exercises conducted in three pilot operations. In addition, UNHCR has compiled operation-specific final reports from the 20 verification activities that took place in 2017. A 2017 verification exercise report is currently being drafted, to be shared with respective bureaux for feedback. (The specific names of operations are mentioned for the information of the Board only.) By the end of the first quarter 2018, UNHCR will be able to submit a narrative report on the 2017 verification exercise, with key findings and benefit realization of the exercises in 2017, as well as submit the standard reporting template on verification activities for three operations. UNHCR is also currently compiling the list of all planned verification activities for 2018, to ensure that the standard reporting template is applied from this year onwards. Based on the above, UNHCR requests closure of this recommendation.	of 130). The Board takes the view that more effort is needed. For instance, UNHCR headquarters needs to develop a formal reporting mechanism on the frequency and comprehensiveness of verification exercises. This will also improve assurance that continuous verification is accurate or verification exercises are not deemed necessary according to criteria agreed in advance. Therefore, the Board considers the recommendation to be under implementation.				
A/71/5/Add.6, chap. II, para. 73	The Board recommends that UNHCR headquarters, as a matter of urgency, implement a benefits realization process for BIMS, and use it to determine whether the roll-out of BIMS should continue, and provide an evidence base to support management decisions on future investment.	In order to benchmark and quantify benefits realization, UNHCR has identified 14 types of refugee processing interactions in each operation which need to be reviewed, with 20 implementation indicators to monitor. The implementation monitoring methodology has been tested in five country operations and the results are being used to improve the process. It has been repeatedly shown that the biometric identity management system (BIMS) is able to provide a continuity	The Board noted that the further implementation of the biometric identity management system had been systematically monitored and reviewed. The biometrical verification showed efficiency improvements in service areas such as food distribution and health. Furthermore, positive effects on fraud prevention and improvements in population statistics and data integrity were documented. The				X

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		of identity across multiple locations and prolonged periods contributing to anti-fraud and multiple registration mitigation, but also to the establishment and preservation of identity for those most vulnerable. Since providing the previous feedback, UNHCR has also developed and rolled out the global distribution tool which helps UNHCR operations to use the biometric data collected to biometrically verify the identities of food collectors during assistance distributions each month in two operations, yielding notable benefits in service delivery speeds, as well as fraud prevention. In respect of the Board's note that "UNHCR intends to plan the budget in a more reliable way", it can be noted that using BIMS for population statistics and data integrity does help to ensure that funds are allocated reliably, based on sound operational data. In addition, UNHCR is using BIMS to give credibility and ensure continuity of identity for refugee returnees in various locations, including those receiving UNHCR cash grants as they voluntarily return to their home country. The implementation monitoring has yielded valuable insight and will continue into the future. Each of the operations surveyed had benefits realization attributable to the implementation and ongoing use of BIMS in one or more of the following benefit themes: (a) Improvement of population statistics, data integrity and programming;	measured effects led to the biometric identity management system being used as the standard system for biometrical registration and verification. Therefore, the decision to roll out the biometric identity management system has already been taken and the recommendation is overtaken by events.				

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		(b) Enhancing identification and prevention of fraud; (c) Improvement of operational efficiencies in the provision of protection services; (d) Building identity management capability in partners; (e) Building confidence in identity over time; (f) Establishing and preserving identities across UNHCR operations globally. Based on the above, UNHCR requests that this recommendation now be considered implemented and closed.					
A/71/5/Add.6, chap. II, para. 81	The Board recommends that UNHCR monitor the extent to which budgets reflect the needs as assessed for future plans. In doing so, it needs to provide greater challenge on discrepancies, to ensure that figures remain credible.	The official inter-office memorandums and instructions that governed the 2018 annual programme review process contain the following documents: (a) UNHCR/AI/2017/1: reporting on 2016; implementation in 2017; planning for 2018–2019; (b) Documentation for senior executive team-bureaux consultations, February 2017 (field): decision points emerging from bureaux discussions; For each bureau: documentation for senior executive team-bureaux consultations (regional trends and analysis, decision points, 2018 indicative spending authority by situation, and background information template); (c) Senior executive team recommendations to High Commissioner, 8 March 2017; (d) Annual performance review overview for High Commissioner and detailed global indicative spending authority, 9 March 2017;	The Board noted that the annual programme review process has been comprehensively reviewed and adjusted. The changed process ensures that needs are assessed and reflected in the budget. The Board also noted that headquarters has analysed discrepancies in budget submissions. The Board considers the recommendation to be addressed by the actions taken. In the Board's view, the measures taken enhance the credibility of the budget figures. The Board considers the recommendation to be implemented.	X			

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		(e) High Commissioner annual performance review decisions on 2018–2019 planning, 13 March 2017; (f) Memorandums from bureaux to High Commissioner (five such memos), 5 May 2017; (g) Final decision by the High Commissioner and memorandum from the Budget Committee, 12 May 2017; (h) Final global needs assessment budget; (i) Administrative instruction on detailed planning 2018, containing detailed planning instructions, including adjustments to initial operating level budget, 8 November 2017; (j) Headquarters and global programme reviews. Based on the above, we request that this recommendation be considered as implemented.					
A/71/5/Add.6, chap. II, para. 85	The Board recommends that UNHCR review the role of the bureaux, to ensure that their activities are aligned with and complement other headquarters efforts and that they sufficiently support countries in applying more formal and evidenced aspects of headquarters scrutiny to the plans prior to submission.	The documentation provided for the recommendation in document A/71/5/Add.6, chap. II, paragraph 81, shows the annual programme review process followed for 2018 establishes a role for the bureaux that has been strengthened in respect of their review of operational plans.	The Board noted that the annual programme review process redefined the role of the bureaux and the communication with headquarters. The new process aligns regional and corporate strategic priorities through consultation. Standardized reports achieve improvements in the quality of the submissions and result in increased efficiency of the review and approval processes. The new process furthermore calls for application of more formal and evidence-based aspects for planning by bureaux and operations. The annual programme review was first	X			

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			implemented for the planning of the 2018 budget and was established as a standard procedure for the 2019 budget planning. The Board considers the recommendation to be addressed.				
A/71/5/Add.6, chap. II, para. 88	The Board recommends that UNHCR: (a) assess whether the level of scrutiny applied during its annual budget process is at an appropriate level, and in doing so determine the costs involved at all stages of preparation; and (b) assess the merits of a multi-year planning approach to resource allocation decisions, as well as other models such as targeted "deep dives" for the highest-risk operations, and assess where these approaches should be rolled out further and where a lighter touch can be applied.	The merits of a multi-year planning approach to resource allocation decisions are being assessed by drawing upon the lessons learned from the 22 pilot operations across four regions with longer-term strategies.	The Board considered part (a) of this recommendation as overtaken by events in its report of last year. With regard to part (b) of this recommendation, the Board recognized that UNHCR has conducted practical tests in 22 pilot countries and has assessed the experiences gained. A decision about if and where the approaches will be rolled out has not yet been made. Therefore, the Board considers the recommendation to be under implementation.		X		
A/71/5/Add.6, chap. II, para. 93	The Board recommends that UNHCR systematically allocate sufficient resources to expand its evaluation coverage of field programmes against agreed risk criteria so as to improve the	The 2016 evaluation policy introduced a dedicated and independent Evaluation Service, reporting to the High Commissioner. The evaluation strategy for 2018–2022 sets out six steps to change evaluation practice in UNHCR: (a) Gradually increasing the number of centralized evaluations each year	The Board is encouraged by the progress UNHCR made in establishing an Evaluation Service. In 2017, the newly established service managed to secure a budget for evaluations, to issue an evaluation strategy 2018–2022 and started to implement the strategy. The Board also obtained evidence	X			

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	evidence base for resource allocation.	between 2018–2022, including undertaking some evaluations as longitudinal evaluations; (b) Introducing a systematic annual consultative approach to topic generation; (c) Launching rapid evaluations: more focused and lighter than traditional centralized evaluations and with involvement of UNHCR staff to build capacity; (d) Building field proficiency in undertaking decentralized evaluations; (e) Hiring a roving, surge capacity on an interim basis to support the field in carrying out decentralized evaluations; (f) Substantially engaging with results-based management, monitoring, data, oversight, multi-year strategic planning and policy development efforts to link better with evaluation. A detailed workplan will be developed each year based on a consultative approach. An emphasis will be put on forward-looking, longitudinal evaluations that build cumulative evidence to allow for course correction. In order to strengthen the utility and utilization of evaluations, UNHCR will link evaluative thinking with its programme and budgeting process. UNHCR will make a predictable investment in evaluation, starting at 0.07 per cent of total expenditure in 2017 with a planned gradual increase starting in 2018. Based on the above, UNHCR requests closure of this recommendation.	that UNHCR facilitated an annual planning process for evaluations whereby topics were proposed by a survey, analysed and prioritized by the Evaluation Service, discussed with the bureau, divisions and senior management team and then recommended for sign-off by the High Commissioner. This process led to a workplan for 2018 which included 13 field-oriented evaluations (including evaluations of level 3 emergency responses) whereas in 2017 UNHCR had only conducted two field-oriented evaluations. In 2018, UNHCR also allocated a total budget of $1,550,108.60 for field-oriented evaluations while in 2017 an amount of only $175,685.00 was spent on these kinds of evaluations. Furthermore, for 2019, UNHCR intends to allocate a budget of approximately $2,000,000 to field-oriented evaluations. Owing to this positive trend in systematically allocating resources to expand evaluation coverage of field programmes and the permanent structure of the Evaluation Service, the Board considers the recommendation to be addressed.				

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A/71/5/Add.6, chap. II, para. 98	The Board recommends that UNHCR and country operations improve the design of efficiency activities, such as restructuring, to enable their impact to be measured and to allow for better decision-making for resource allocation.	In 2017 the Organizational Development and Management Service completed eight structural and staffing reviews (by mission or by desk review of files and interviews); two structural diagnostics; and nine rapid desk reviews analysing submissions by bureaux and divisions to the Budget Committee that proposed structural or significant staffing changes, most of these regarding operations in the field. The Service also provided 49 opinions to the Budget Committee in 2017 to assist the Committee consider submissions by the bureaux and divisions. In 2017, the Service maintained its participation in the annual performance review process as a member of the extended secretariat. The Service prepared input for the senior executive team and the secretariat, including an analysis of country operations it identified as structural or staffing outliers. The Service, on an ad hoc basis, also provided structural advice and guidance to bureaux and divisions to help them review and refine their proposals and plans before and after annual performance review submissions. The Service also prepared and issued a concise document on general principles for effective design of office structures and staffing, which formed part of the instructions on reporting on 2016, implementation in 2017 and planning for 2018–2019 issued in December 2017. Based on these actions, UNHCR requests that this recommendation be closed. If it is not closed, UNHCR	The Board noted that country operations reviewed their efficiency during the annual programme review. In addition, the Organizational Development and Management Service reviews operations and offices on the request of the representative, as a follow-up of the annual programme review, or as a result of an emergency situation. The reviews seek improvements of structure and/or staffing. The Service makes recommendations for improvements that are being shared with the relevant bureaux and the operation. The Board also noted that the Service followed up on the recommendations made. The Board considers the recommendation to be implemented.	X			

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		requests a revision of the recommendation to define what the Board requests with respect to the phrase "improve the design of efficiency activities".					
A/71/5/Add.6, chap. II, para. 102	The Board recommends that greater scrutiny be applied to programme support costs both at headquarters and within operations. UNHCR should review operations where support costs cannot be reasonably justified.	As part of the annual performance review process, plans and budgets of operations are reviewed both by the relevant bureau and by the annual performance review secretariat. In this regard the Programme Budget Service, as a member of the annual performance review secretariat, undertakes a review of the following elements: (a) Correlation between planning figures for persons of concern and related budget figures; (b) Trend analysis for different types of costs (programme, programme support, staffing, administration); (c) Budgeted ratios for different types of costs (programme, programme support, staffing, administration), including trend analysis; (d) Budgeted costs by pillar, i.e. by type of person of concern; (e) Numbers, trends and type of positions and changes. Any variances that cannot be immediately explained are followed up with the respective bureaux and resolved either through an adjustment of submitted budgets or by putting forward proposals to the senior executive team for a revised decision, etc. Based on the above, UNHCR requests that this recommendation be considered as implemented.	The Board noted that staff costs as a part of support costs were analysed with the introduction of the revised annual programme review. The annual programme review also established a standard review process for support costs of operations that otherwise cannot be reliably justified. This analysis gives greater scrutiny to programme support costs both at the headquarters and operations levels. Thus, the Board considers the recommendation to be implemented.	X			

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A/71/5/Add.6, chap. II, para. 104	The Board recommends that UNHCR headquarters identify which operations have reduced their costs and/or per capita spending, and provide a platform for those operations to share their experience.	Similarly to the steps taken in response to the recommendation contained in A/71/5/Add.6, paragraph 102, reviewed above, as part of the annual performance review process, operations' plans and budgets are reviewed both by the relevant bureaux and by the annual performance review secretariat. In this regard the Programme Budget Service as a member of that secretariat, undertakes a review of the following elements: (a) Correlation between planning figures for persons of concern and related budget figures; (b) Trend analysis for different types of costs (programme, programme support, staffing, administration); (c) Budgeted ratios for different types of costs (programme, programme support, staffing, administration), including trend analysis; (d) Budgeted costs by pillar, i.e. by type of person of contract; (e) Numbers, trends and type of positions and changes. Any variances that cannot be immediately explained are followed up with the respective bureaux and resolved either through an adjustment of submitted budgets, or by putting forward proposals to senior executive team for a revised decision, etc. Based on the above, UNHCR also requests that this recommendation be considered as implemented.	The Board noted that the revised processes for the annual programme review analysed changes in numbers of persons of concern. UNHCR also discussed budget changes with regard to the changed number of beneficiaries. This permits a per capita analysis of expenditures. The annual programme review builds a platform that ensures exchange of information about developments and experiences between operations and bureaux. The Board considers the recommendation to be implemented.	X			

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A/71/5/Add.6, chap. II, para. 106	The Board recommends that UNHCR further scrutinize the cost drivers and value for money within items of significant expenditure. In doing so, it should identify opportunities for efficiencies to be found in the way they are delivered.	Value-for-money is a notion that encompasses economy, efficiency and effectiveness. While UNHCR has not issued a formal corporate policy on value-for-money as such, this notion, along with those of economy, efficiency and effectiveness, are firmly reflected in the policies, procedures, manuals and guidelines that govern key UNHCR processes such as planning, budgeting, reporting, procurement and supply chain management, human resources, the establishment of partnerships, organizational realignment, the setting of internal controls, and staff travel. In addition, a number of ongoing initiatives contribute to efficiency opportunities: (a) The targeting approach, which supports per capita spending; (b) The multi-year, multi-partner approach, which will allow a longer-term approach and thus create opportunities for savings (higher capital investment to avoid recurrent investments in protracted situations). Based on the above, UNHCR requests that this recommendation be considered as implemented.	The Board noted that UNHCR has assessed its policies, procedures, manuals and guidelines to get an overview of where the organization required cost efficiency measures. During the annual programme review, efficiencies are analysed and shared with the bureaux and operations. However, UNHCR did not systematically scrutinize cost drivers within items of significant expenditure. The Board recognized that the review of the results-based management sought to implement tools that enabled properly linking results to budget, expenditure and revenue. The Board encourages UNHCR to further develop such tools as a basis for further scrutiny and analysis of cost drivers. The Board considers the recommendation to be under implementation.		X		
A/70/5/Add.6, chap. II, para. 12	The Board recommends that UNHCR work with donors to improve the profiling of resources during the year to facilitate better forecasting, in order to minimize large year-end fluctuations and smooth procurement flows.	UNHCR is now issuing the year-end procurement instructions, including the relevant deadlines, earlier in the year (in June for 2017) so that the country operations can plan the procurement for the rest of the year in a timely fashion. In addition, the Procurement Service has developed standard operating procedures for procurement at headquarters, which specifically aim to improve the coordination between the requesting units and the Service in	The Board noted that UNHCR has put in place several instruments to facilitate better forecasting and to smooth timely procurement flows. For instance, UNHCR has issued year-end procurement instructions, including relevant deadlines, earlier in the year and standard operating procedures to improve internal coordination. In addition, the				X

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		planning and conducting procurement and hence contribute to a more even staggering of procurement throughout the year. At the same time, UNHCR continues to work with donors to increase predictability of funding and better forecasting through various measures previously communicated to the Board. Despite the occurrence of new emergencies, forecasting of donor contributions has become increasingly accurate in the last few years and the timing of contributions has further improved in 2016.	Board reviewed procurement peaks again and had issued a refined recommendation on this matter. The recommendation is considered to be overtaken by events.				
A/70/5/Add.6, chap. II, para. 18	The Board recommends that, as management implements the global fleet management strategy for the period 2014–2018, it ensure that it collects the most appropriate metrics and data to assess and demonstrate the realization of the planned benefits as early as possible.	The latest analytical report of a research institute covering 2015 and 2016 and including appropriate metrics and data to assess and demonstrate the realization of planned benefits is now finalized and a copy has been provided to the Board. UNHCR therefore considers this recommendation as implemented.	The Board noted that UNHCR had conducted an assessment of global fleet management in 2017. The Board considers this recommendation to be implemented.	X			
A/70/5/Add.6, chap. II, para. 31	The Board recommends that UNHCR establish a clear time frame to finalize the fraud risk assessments and mitigation plans for the most significant risks identified in the fraud prevention project. Furthermore, risk assessments should be used to inform the design of processes within the MSRP	Fraud risk assessment has been conducted by each operation and uploaded in the enterprise risk management platform of UNHCR. In addition, the fraud prevention manual has been completed and disseminated. The fraud prevention manual is intended to serve as reference material for staff and other parties having a contractual relationship with UNHCR and provides guidance on identifying fraud warning signs, taking adequate prevention and	The Board noted that the fraud prevention manual has been approved and published on the UNHCR intranet. In addition, at UNHCR fraud and corruption risk assessment is integrated into the overall risk management processes, which are detailed in the enterprise risk management framework. The Enterprise Risk Management Unit issued the 2017 annual risk review guidance. This guidance	X			

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	upgrade and of structured training for key staff in high-risk areas. The analysis should also be used to inform planning assessments carried out by OIOS and the Inspector General.	mitigation measures and conducting fraud risk assessment, together with an inventory of the relevant policies and procedures that should be applied in this respect. In addition, UNHCR successfully launched e-learning on the fundamentals of fraud and corruption awareness on 9 December 2016 on the occasion of International Anti-Corruption Day, to increase fraud and corruption awareness across the organization. Since its launch, 2,169 learners have completed the course. Of these, 1,459 learners were staff members, 412 were members of the UNHCR affiliated workforce, and 298 were external parties (including consultants, partners or staff of other United Nations agencies).	emphasized that risks related to fraud and corruption have to be an integral part of the corporate risk register. During its field visits, the Board noted that the country operations it visited conducted fraud risk assessments although the quality of the assessments differed. However, the MSRP upgrade has been finalized in 2017. Therefore, the Board considers this recommendation to be partly implemented and to be partly overtaken by events.				
A/70/5/Add.6, chap. II, para. 52	The Board recommends that: (a) Funded overhead costs of international implementing partners included in partner agreements be reclassified as administrative costs in the disclosures in the financial statements; (b) Management review its scrutiny of administrative costs within the budgets of implementing partners to better evidence as to how UNHCR achieves value for money from those agreements.	Budgetary transfers among outputs within a project (not exceeding 20 per cent) have been introduced into the terms of partnership agreements in order to not deviate from delivering the expected results within the budgeted costs. The policies on personnel and overhead costs are now fully enforced. Any deviations are being monitored and audited. Any costs over-runs are recalled/reimbursed from partners.	The Board assessed part (a) of this recommendation to be implemented in its 2015 report. Regarding the implementation of part (b) of the recommendation, the Board noted that UNHCR took further measures to ensure scrutiny of administrative costs of partners. An administrative instruction further clarified the contribution of UNHCR to partner personnel costs. UNHCR has reviewed its policy with regard to administrative costs of partners. The policy established a compromise between control of partners and an efficient use of limited UNHCR resources. Thus, the Board considers the recommendation to have been addressed.	X			

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A/70/5/Add.6, chap. II, para. 55	The Board recommends that management further develop the annual programme review process to build in a consistent framework to demonstrate the efficiency challenges to programme budgets and to record and summarize the key efficiency outcomes.	UNHCR has taken action to further strengthen its capacity for analysis by designing and implementing an improved analysis framework in the context of the annual programme review. While the policy on resource planning and management is still under review, certain of the foreseen changes in regard to the annual planning review process have already been implemented in 2017. This includes modifications of the annual planning, review and approval processes to achieve improvements in the quality of the submissions and increased efficiency of the review and approval processes. The revised policy is currently under discussion by the senior executive team for final deliberation and approval. Based on the above, UNHCR requests that this recommendation be considered as implemented.	The Board recognized that UNHCR has enhanced the annual programme review into a standard process that has integrated efficiency considerations into programme budgets. Although the resource planning and management policy is still under review, the standard processes are established through an administrative instruction in the second consecutive year. The Board considers the review process to be finalized and as having addressed the recommendation.	X			
A/70/5/Add.6, chap. II, para. 59	The Board recommends that UNHCR, within the scrutiny process, build in an assessment of country office variances to define metrics by which to assess country plans, including expenditure per refugee per programme; variance in budgetary requirements being unmet; and instances of underspend and overspend compared with outcomes achieved.	UNHCR has in place separate and complementary processes to review its budget. Costs are regularly and routinely reviewed when country plans are submitted on an annual basis to headquarters. Cost per capita analysis is also performed when budget changes are requested, to analyse the impact of such changes. Instances of overspend and underspend in relation to the outcomes achieved are also reviewed, including the variance analysis on expenditures. In addition, reviews are done at different levels, i.e. at the level of an individual operation or at a thematic (such as protection) or regional level or for multi-year programmes.	The Board noted that UNHCR conducted a per capita analysis of expenditures. UNHCR furthermore defined metrics which it used for assessing country budget plans in the review process. The process analysed variances in expenditures at headquarters and the bureaux and operations levels. The process was first implemented in 2017 for the 2018 planning and has been improved for the 2019 planning. The Board considers the recommendation to have been addressed.	X			

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		Based on the above, UNHCR requests that this recommendation be considered as implemented.					
A/70/5/Add.6, chap. II, para. 68	The Board recommends that UNHCR review the current scrutiny process, as there is an opportunity to further challenge and document the cost-effectiveness of proposed interventions at the headquarters level. In doing so, UNHCR should review opportunities to include performance metrics which enable cost-effectiveness to be measured.	Better connecting the financials with the results is one of the key objectives of the ongoing results-based management project. The project team envisages that the results-based management solution at UNHCR should link the information related to programme monitoring and financial implementation, in order to facilitate value-for-money analysis, supported by a comprehensive business intelligence solution. Proposed solutions include: (a) Support results-based budgeting by clearly linking budget allocation to expected outcomes; (b) Develop a system to monitor and report the income and expenditure against budget and expenditure; (c) Allow the new monitoring of operations by a business intelligence solution producing dynamic reports, including financial information; (d) Introduce the monitoring of combined programme and financial implementation conducive to value-for-money analysis; (e) Develop the system to show value for money in the resource allocation process, monitoring and reporting, etc.	The Board noted that the established working group further assessed the options to improve cost-effectiveness at the headquarters level. The working group concluded that it would not develop stand-alone guidance to assist operations. The working group further stated that the inclusion of performance metrics to facilitate measurement of cost-effectiveness would be part of the ongoing results-based management revision project. The Board encourages UNHCR to include performance metrics in the results-based management revision project to enable cost-effectiveness to be measured. The Board considers the recommendation to be under implementation.		X		
A/70/5/Add.6, chap. II, para. 82	The Board supports the plans of UNHCR to use its Focus system to better link costs and outcomes in each of its business sectors. UNHCR needs to take a	This recommendation is addressed under the update for the recommendation contained in A/70/5/Add.6, para. 68.	The Board noted that the results-based management revision project aimed to link results to budget, expenditure and revenue. This will improve information and costs and service performance. The		X		

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	tougher, clearer stance on the importance of information on costs and service performance, particularly on linkages between enrolment in education, delivery and retention, and the impact of achieving good-quality education qualifications. Without such information, fully informed judgments on the value for money achieved, or the cost-effective targeting of assistance, are not possible.		Board encourages UNHCR to include performance metrics in the results-based management revision project to enable cost-effectiveness to be measured. The Board considers the recommendation to be under implementation.				
A/70/5/Add.6, chap. II, para. 83	The Board recommends that UNHCR headquarters issue central guidance to country teams on cost-effectiveness criteria in education services as an aid to decision-making and resource allocation in education programmes.	Value-for-money is a notion that encompasses economy, efficiency and effectiveness. While UNHCR has not issued a formal corporate policy on value-for-money as such, this notion, along with those of economy, efficiency and effectiveness, are firmly reflected in the policies, procedures, manuals and guidelines that govern key UNHCR processes such as planning, budgeting, reporting, procurement and supply chain management, human resources, the establishment of partnerships, organizational realignment, the setting of internal controls, and staff travel. Based on the above, UNHCR requests that this recommendation be considered as implemented.	The Board noted that the established working group further assessed the possibility to improve cost-effectiveness at the headquarters level. The working group concluded that it would not develop stand-alone guidance to assist operations. The working group further stated that the inclusion of performance metrics to facilitate measurement of cost-effectiveness would be part of the results-based management revision project. The Board encourages UNHCR to include performance metrics in the results-based management revision project to enable cost-effectiveness to be measured. The Board considers the recommendation to be under implementation.		X		

Report reference	*Summary of recommendation*	*Administration comments on status, April 2018*	*Board comments on status, April 2018*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
A/70/5/Add.6, chap. II, paras. 113 and 114	The Board notes that UNHCR has an objective to consider how best to streamline the process, once the system upgrade has been completed in 2016. There are a range of options that could support that, and the Board recommends that management consider: (a) Limiting the number of posts staff can apply for, which should help to reduce the delays in sifting applications; (b) Establishing a roster system so that posts can be classified against generic job profiles, as far as possible aligning capabilities to posts and thereby reducing the volume of applications and the need for suitable candidates to go through the entire recruitment process; (c) Setting targets for the number of staff between assignments or beyond their assignment lengths; (d) Whether certain core or technical specialized functions are exempt from the mobility model, depending upon	With regard to paragraph 114 (a), the recruitment and assignments administrative instruction (UNHCR/AI/2017/7) was issued on 15 August 2017. Sections 29–31 of this new administrative instruction introduce certain limits on the number of applications that staff may submit, depending on whether they are applying for posts at their grade or at a higher grade. If applying for posts at a higher grade, male staff members may apply to a maximum of six positions, while female staff can apply to 12 positions per compendium in groups 1 and 2 (until gender parity is achieved). External applicants are not limited in the number of applications that they may submit to externally advertised positions. Based on this, we are requesting this part of the recommendation to be closed. With regard to paragraph 114 (d), in the new assignments policy and administrative instruction all positions are rotational. Technical or specialist/expert position incumbents may reapply to their position when it is re-advertised within the normal rotational cycle applicable to that duty station. Based on the above, UNHCR considers this recommendation to be implemented.	With regard to part (a) of the recommendation, the Board noted that the new administrative instruction limited the number of higher grade posts staff could apply for. The Board holds that this sufficiently addresses the recommendation. With regard to part (d) of the recommendation the Board took note of the established exemption for expert positions. Staff may only reapply to their position when the position is classified as an expert position at the time of re-advertisement. The Board has not assessed the quality of the expert classification process or the positions currently classified as expert positions. However, taking note of the established exemption from the mobility model, the Board holds that the recommendation is sufficiently addressed. Therefore, the Board considers the recommendation to be implemented.	X			

Report reference	Summary of recommendation	Administration comments on status, April 2018	Board comments on status, April 2018	Implemented	Under implementation	Not implemented	Overtaken by events
	operational need. That should then free up time for the human resources team to start thinking in a more strategic way about the needs of the business.						
A/68/5/Add.5, chap. II, para. 105	The Board recommends that UNHCR include in the new fleet management manual guidance on how to assess alternatives to the use of distant garages when remote servicing can result in excessive mileage, extended vehicle downtime and high transit costs. Guidance should include requirements for: (a) Periodic testing of local markets for the availability of closer commercial maintenance facilities of the requisite standard; (b) Periodic review of the scope for United Nations agencies, non-governmental organizations and implementing partners to procure maintenance collectively, to leverage greater bargaining power or attract reliable operators to open facilities nearby;	This recommendation was raised in 2012 prior to the launch of global fleet management in 2014 and, therefore, relates to a context that has since completely changed. UNHCR is in the process of developing a new maintenance and repair strategy for its global fleet. In support of this, UNHCR recruited an experienced consultant as a technical expert for vehicle maintenance who is currently assessing maintenance and repair arrangements in the 10 countries with the biggest fleets within UNHCR. The results of this assessment will inform the maintenance and repair strategy. In the meantime, UNHCR has issued operational guidance to the country operations on maintenance of vehicles and minor repairs, which do not require headquarters approval. All major repairs must be submitted to the maintenance and repair unit for review and approval. UNHCR considers this recommendation as overtaken by events.	The Board noted further progress being made with the maintenance and repair initiative. The Board noted the ongoing assessment by a consultant who assessed maintenance and repair arrangements in the 10 countries with the largest fleets within UNHCR. In addition, the consultant plans to use the lessons learned from the assessment to provide a questionnaire. The questionnaire is to give guidance to operations on how to test local markets for the availability of closer commercial maintenance facilities of the requisite standard. Therefore, the recommendation is considered to be under implementation.		X		

Report reference	*Summary of recommendation*	*Administration comments on status, April 2018*	*Board comments on status, April 2018*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
	(c) Consideration of the maintenance of a stock of oil and filters at the field office level to enable the most basic (category A) servicing to take place in the field.						
A/69/5/Add.6, chap. II, para. 56	The Board, given the major scale of the UNHCR Jordan cash programme and the plans to expand it to other countries, recommends that UNHCR commission an independent expert evaluation of the programme, with the aim of reporting before the end of 2014.	The Evaluation Service of UNHCR commissioned an independent evaluation synthesis related to UNHCR cash-based interventions in Jordan, in large part to address the outstanding 2013 Board of Auditors recommendation. Given the size of the cash-based intervention programme in Jordan and the availability of evidence, the scope of this evaluation synthesis included: (a) Describing contextual and operational factors influencing results in Jordan, in order to inform optimization of cash-based interventions in other countries; (b) Measuring the effects of the cash-based intervention programme on the lives of refugees, considering primary and secondary needs. The first part of this evaluation synthesis is a consolidation of evidence from a range of reports and studies, aimed at appraising the overall operational dimensions of cash-based interventions in Jordan. The second section is a synthesis and analysis of survey data collected during vulnerability assessments (home visits), post-distribution monitoring surveys and the Overseas Development Institute study entitled "A promise of tomorrow". The synthesis examines the role of cash support within total	The Board noted that the recommended independent expert evaluation of the Jordan cash-based intervention programme has been conducted. The evaluation synthesis addresses the operational context of the Jordan cash-based interventions. Moreover, it also provides input on overall cash programming by UNHCR. The recommendation is considered to be implemented. In addition, the recommendation dated from 2013 and was envisaged to be implemented by the end of 2014. It took UNHCR almost four years to commission the external evaluation. The Board would have appreciated a more timely implementation of the recommendation.	X			

Report reference	Summary of recommendation	Administration comments on status, April 2018	Board comments on status, April 2018	Implemented	Under implementation	Not implemented	Overtaken by events
		household budgets and the extent to which households allocate cash to food, education, health or other priorities. The aim of consolidating and analysing this data is to measure the effects of the UNHCR cash-based intervention programme in Jordan and its impact on the lives of Syrian refugees and to statistically prove the strength and direction of the relationships between cash transfers and specific areas of vulnerability. UNHCR received the final report in December 2017. Based on the above details, UNHCR requests that this recommendation be closed.					
A/69/5/Add.6, chap. II, para. 86	The Board recommends that UNHCR issue central guidance to country teams on cost-effectiveness criteria in health services as an aid to decision-making and resource allocation in health programmes.	The working group that was tasked to develop guidance for country teams on cost-effectiveness criteria concluded that a more detailed financial analysis of all health programmes was required to address this recommendation. This analysis of health expenditures and cost-effectiveness in health programming was completed. However, the report cautions that programming decisions should not be made on the basis of a per capita estimate, especially given the wide ranges in country values. Instead, individualized public health responses are needed based on the availability of appropriate resources, such as the diversity of health-care systems and range of financing available for health care, expected efficiency in delivery, local epidemiology and disease burdens in each region, country and even sub-region within a country. In light of this, as well as the fact that public health programmes at the country level follow the national	The Board noted that the working group analysed the option to issue central guidance on cost-effectiveness criteria in health services. Owing to the differences in national health-care systems, the working group found it impossible to provide uniform general guidance with specific criteria. The Board comprehends the reasoning of UNHCR. In addition, the Board can confirm that UNHCR has reviewed the programme manual on public health and nutrition and incorporated general principles on cost-effectiveness measures. The Board considers the recommendation to be overtaken by events.				X

Report reference	Summary of recommendation	Administration comments on status, April 2018	Board comments on status, April 2018	Implemented	Under implementation	Not implemented	Overtaken by events
		standards and policies of the Ministry of Health, UNHCR has developed a practical guidance note on programming for public health and nutrition, based on the UNHCR global strategy for public health. The guidance aims to provide country teams with cost-effectiveness criteria to inform decisions on resource allocation, while remaining relatively broad owing to contextual factors, which in many instances require individualized and country-specific public health responses. The practical guidance note has been posted on the intranet and is therefore available to all staff. Based on the above details, UNHCR requests that this recommendation be closed.					
	Total			**23**	**18**	–	**4**
	Percentage			**51**	**40**	–	**9**

Chapter III

Statement of the responsibilities of the High Commissioner and approval and certification of the financial statements

Letter dated 31 March 2018 from the United Nations High Commissioner for Refugees and the Controller and Director of the Division of Financial and Administrative Management of the Office of the High Commissioner addressed to the Chair of the Board of Auditors

The United Nations High Commissioner for Refugees is ultimately responsible for the content and integrity of the financial statements contained in the accounts of the voluntary funds administered by the High Commissioner.

To fulfil this responsibility, the Office of the High Commissioner operates within prescribed accounting policies and standards and maintains systems of internal accounting controls and procedures to ensure the reliability of financial information and the safeguarding of assets. The internal control systems and financial records are subject to reviews by the Office of Internal Oversight Services and the Board of Auditors during their respective audits.

In this context, the financial statements contained in chapter V, comprising statements I to V and the supporting notes, were prepared in accordance with the financial rules for voluntary funds administered by the High Commissioner (A/AC.96/503/Rev.10) and the International Public Sector Accounting Standards. In management's opinion, the financial statements present fairly, in all material respects, the financial position of the voluntary funds administered by the United Nations High Commissioner for Refugees as at 31 December 2017 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards.

The accounts are hereby approved and certified.

(*Signed*) Filippo **Grandi**
United Nations High Commissioner for Refugees

(*Signed*) Hans G. **Baritt**
Controller and Director
Division of Financial and Administrative Management

Chapter IV

Financial report for the year ended 31 December 2017

A. Introduction

1. The United Nations High Commissioner for Refugees has the honour to submit the financial report and financial statements on the accounts of the voluntary funds administered by him for the year ended 31 December 2017, in accordance with United Nations financial regulation 6.2 of the Financial Regulations and Rules of the United Nations (ST/SGB/2013/4) and article 11 of the financial rules for voluntary funds administered by the High Commissioner (A/AC.96/503/Rev.10).

2. The financial report provides financial information relating to the voluntary funds administered by the High Commissioner, in accordance with the International Public Sector Accounting Standards. The voluntary funds include the Annual Programme Fund (consisting of the global refugee programme and the global stateless programme), the Global Reintegration Projects Fund, the Global Internally Displaced Persons Projects Fund, the Junior Professional Officers Fund, the Staff Benefits Fund, the Medical Insurance Plan and the Working Capital and Guarantee Fund. It presents an overview of the operational context, financial analysis and budgetary performance by major activity groupings, highlighting trends and significant changes.

3. The financial report is designed to be read in conjunction with the financial statements, consisting of five statements and supporting notes.

B. Operational context and activities overview

4. The Office of the United Nations High Commissioner for Refugees (UNHCR) is mandated by the General Assembly to lead and coordinate international action for the protection of refugees and the search for durable solutions. UNHCR seeks to reduce situations of forced displacement by encouraging States and other institutions to create conditions that are conducive to the protection of human rights and the peaceful resolution of disputes. In all of its activities, it pays particular attention to the needs of the most vulnerable and seeks to promote the equal rights of women and girls. UNHCR works in partnership with governments, international and non-governmental organizations, other United Nations agencies and persons of concern, as well as the private sector, international financial institutions and civil society, including think tanks, academia and faith leaders.

5. During the reporting period, UNHCR was engaged, through its network of country and field offices in more than 130 countries, in providing protection to and seeking solutions for the plight of some 71.4 million women, men, girls and boys. UNHCR continued to monitor, interpret and develop global protection policy and standards and to provide expert advice and support across all aspects of international law and policy relating to the Office's international protection, statelessness and durable solutions work. This work was carried out in close collaboration with Governments, other United Nations entities and international and national non-governmental organizations, with the active involvement of the affected populations and host communities. UNHCR's Strategic Directions 2017–2021 issued in January 2017 are aligned with commitments made in respect of the 2030 Sustainable Development Agenda, as well as the vision of the New York Declaration for Refugees and Migrants and the comprehensive refugee response framework contained in annex I thereto. As at the end of 2017, the comprehensive refugee response framework was being applied across 13 refugee-hosting countries and across two regions. Lessons learned from the application of the framework are informing the

preparation of the global compact on refugees, which is being developed in consultation with governments and other key stakeholders.

6. In 2017, more than 30 UNHCR operations responded to 13 large-scale emergencies. UNHCR continued to engage with national and international partners in dealing with protracted emergencies affecting a large number of countries, including Burundi, Iraq, Nigeria, South Sudan, the Syrian Arab Republic and Yemen. The global High Alert List for Emergency Preparedness and its diagnostic tool helped UNHCR to capture countries' preparedness and response capacity in respect of potential population displacement and therefore prioritize its preparedness support.

7. The promotion of innovative approaches to child protection and youth programming and the mainstreaming of sexual and gender-based violence prevention and response remained an important focus in 2017. UNHCR and partners continued to make use of mass sensitization and awareness campaigns, alongside targeted training of community leaders and influential groups, including young people and men. With support from UNHCR, communities mobilized to lead on prevention and response and advocate for action against sexual and gender-based violence, forming community committees and establishing community action plans against such violence. Various operations indicated an increase in reports of sexual and gender-based violence as a direct result of awareness-raising and capacity-building campaigns.

8. A series of Youth Initiative Fund projects implemented by UNHCR in 31 country operations led to enhanced social cohesion between host and refugee communities, as well as solidarity among refugee youth communities. Globally, the percentage of refugee children enrolled in primary education increased from 50 per cent to 61 per cent. UNHCR facilitated this through the recruitment and training of teachers, the construction and rehabilitation of classrooms and the payment of school fees and allowances for refugee children to enrol and remain in primary school throughout the year.

9. UNHCR continued to engage with States and other stakeholders to ensure that children had access to simple and expeditious birth registration procedures and received birth certificates. Registration at birth and the issuance of birth certificates are essential in determining a child's nationality and preventing statelessness. UNHCR has adopted a multifaceted approach to address these challenges in collaboration with governments, United Nations agencies and civil society stakeholders. The Office works with States to encourage them to comply with obligations under the Convention on the Rights of the Child, engages in awareness-raising, provides support for both static and mobile registration services to reach all children and supports national systems to assist in absorbing surges in the need for birth certificates.

10. UNHCR continued to strengthen its identity management capability and, in 2017, established the Population Registration and Identity Management EcoSystem (PRIMES), a suite of interoperable registration, identity management and case management tools and applications. The quality of registration and profiling improved in 2017 through the deployment of the biometric identity management system (BIMS) in 17 operations. A total of 4.4 million persons of concern have now been biometrically enrolled in 48 country operations.

11. In 2017, UNHCR continued to implement comprehensive strategies promoting the self-reliance of refugees and others of concern. The Office worked closely with host Governments and communities to foster the gradual inclusion of refugees in host-country systems and structures. Allowing refugees to benefit from national services and integrating them into national development plans are essential for both refugees and the communities hosting them and are consistent with the pledge in the 2030

Agenda for Sustainable Development to leave no one behind. UNHCR supported States in the fulfilment of their commitments to increase resettlement places and complementary pathways for the admission of refugees made in the New York Declaration for Refugees and Migrants and the comprehensive refugee response framework.

12. The total population of concern to UNHCR at the end of 2017 was estimated at 71.4 million persons. This estimate includes 19.9 million refugees, 3.1 million asylum seekers, 39.1 million internally displaced persons protected or assisted by UNHCR, 3.9 million stateless persons (including 932,200 stateless refugees and 125,600 stateless internally displaced persons, who are also counted in the refugee and internally displaced person population group) and 1.6 million other persons of concern. In addition, it is estimated that during the year, some 667,400 refugees repatriated and 4.2 million internally displaced persons returned to their places of origin.

13. In 2017, the total estimated budgetary requirements for addressing the needs of all persons of concern amounted to $7,962.9 million ($7,509.7 million in 2016). The total available funds were $4,510.0 million ($4,410.8 million in 2016), while UNHCR implemented activities in the amount of $4,083.4 million ($3,967.1 million in 2016) (see table IV.3).

C. Financial analysis

14. The financial position of UNHCR at year-end and the annual financial performance since 2013 are summarized in table IV.1.

Table IV.1

Financial position and financial performance, 2013–2017

(Millions of United States dollars)

	2013	*2014*	*2015*	*2016*	*2017*
Total assets	2 226	2 000	2 315	2 570	2 987
Total liabilities	697	883	859	940	1 000
Net assets	**1 529**	**1 117**	**1 456**	**1 630**	**1 987**
Revenue	3 165	3 056	3 582	3 979	4 227
Expense[a]	2 704	3 360	3 279	3 852	3 849
Surplus/deficit	**460**	**(305)**	**303**	**127**	**377**

[a] Including foreign exchange gains/losses.

15. As at 31 December 2017, total fund balances and reserves amounted to $1,986.9 million (see statement I), representing an increase of $356.8 million, or 21.9 per cent, compared with the balance as at 31 December 2016. This increase was a result of the performance surplus of $377.5 million (see statement II) and the loss arising from the actuarial valuation of employee benefit obligations of $20.7 million (see statement III).

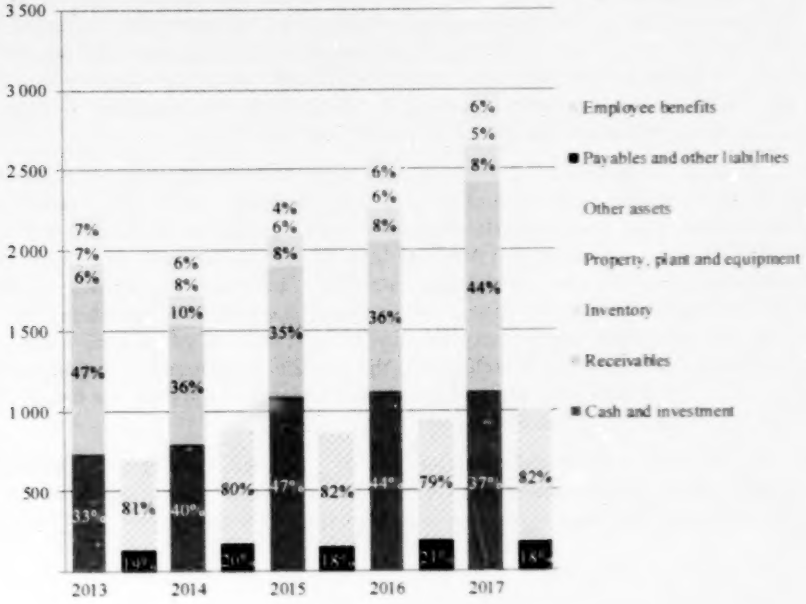
16. The fund balances and reserves comprise the accumulated fund balances and reserves ($2,527.3 million), the Working Capital and Guarantee Fund ($100.0 million), the Medical Insurance Plan ($37.0 million) and the Staff Benefits Fund (net deficit of $677.5 million).

17. The accumulated fund balances an[illegible]ves include, in addition to the balance of the Annual Programme Fund ($[illegible] million), the operational reserve ($10.0 million), the new or additi[illegible] mandate-related activities reserve ($20.0 million), the Project Funds ($202.0 million), the United Nations Regular Budget Fund ($4.1 million) and the Junior Professional Officers Fund ($14.9 million), as detailed in note 3.11.

18. The composition by main category of the assets and liabilities of UNHCR as at the year-end for the years 2013 to 2017 is depicted in figure IV.I below.

Figure IV.I
Assets and liabilities, 2013–2017

(Millions of United States dollars)



19. As at 31 December 2017, financial instruments such as cash, investment and receivables accounted for some 83 per cent of the total of assets, most of which are current assets. Employee benefit obligations accounted for some 82 per cent of total liabilities, largely pertaining to long-term obligations.

20. Table IV.2 provides some key financial ratios as at 31 December 2017 compared with those as at 31 December 2016.

Table IV.2
Key financial ratios, 31 December 2017

	As at 31 December 2017	*As at 31 December 2016*
Current assets to current liabilities	9.77	8.10
Total assets to total liabilities	2.99	2.73
Cash and cash equivalents to current liabilities	3.63	3.49

21. The current ratio (current assets to current liabilities) is a liquidity ratio reflecting the balance between those assets that will materialize within the next 12 months and those liabilities/payments that the organization needs to settle within the next 12 months. The higher the current ratio, the more capable the organization is of meeting its obligations. At the end of 2017, the current ratio was 9.77. This needs to be seen in the context of the specific activities performed by UNHCR. In general, entities that have control over the timing of revenue generation attempt to synchronize the generation of liabilities with the pattern of revenue; therefore, a straight comparison between current asset and current liability provides a good indication of the ability of the entity to meet its current obligations. In the case of UNHCR, much of the revenue recognized as receivable over the next 12 months is pledged when the annual pledging conference takes place, just before year-end. The contribution pledges are generally based on a budget designed to match the budgeted costs of delivering programmes for the same period. However, the budgeted projection of expenses does not constitute a liability, resulting in a mismatch in the timing of recognition of the revenue and assets and the corresponding liabilities. This mismatch produces a higher current ratio at the end of the financial year than would be the case if the timing of revenue pledges were more closely matched with the incurrence of costs for the programmes that such revenue is expected to fund.

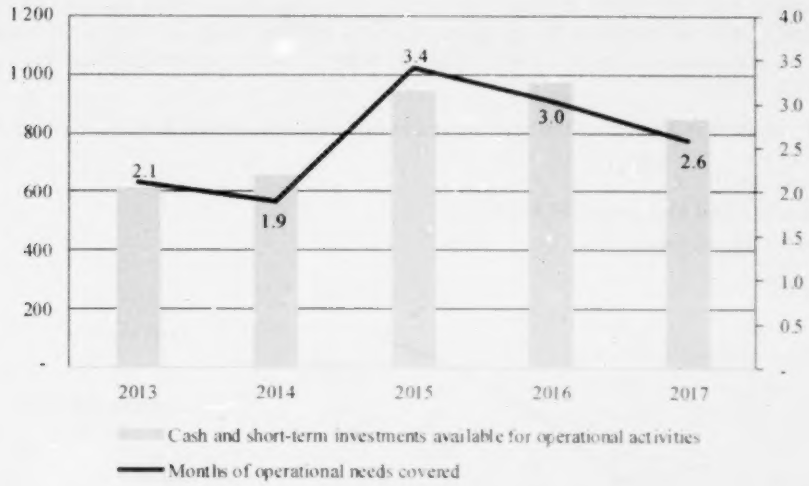
22. As at 31 December 2017, the total amount of cash and short-term investment was $1,115.6 million, a decrease of $6.7 million compared with $1,122.4 million in 2016. Excluding the amounts pertaining to the Working Capital and Guarantee Fund, the Staff Benefits Fund and the Medical Insurance Plan, the cash and short-term investments available for operational activities amounted to $849.0 million ($970.2 million in 2016). This covers approximately 2.6 months of operational needs on the basis of average monthly expenses in 2017. At the time of the certification of the financial statements (31 March 2018), the balance of cash and investments had fallen to $1,010.0 million ($769.0 million as at 31 March 2017) from the balance of $1,115.6 million as at 31 December 2017.

23. Figure IV.II depicts the total amount of cash and short-term investments available for operational activities as well as the number of months of operational needs covered on the basis of average monthly expenses for the period from 2013 to 2017.

Figure IV.II

Total amount of cash and short-term investments for operational activities/ months of operational needs covered, 2013–2017

(Millions of United States dollars/number of months)

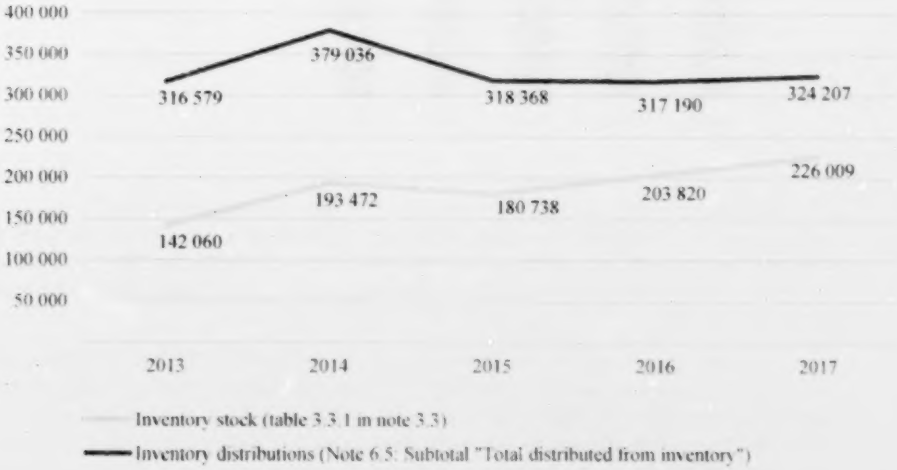


24. Figure IV.III depicts the average inventory distribution (see note 6.5) together with the inventory on stock (see table 3.3.1 in note 3.3) at year-end over the past five years.

Figure IV.III

Inventory distribution and on stock at year-end, 2013–2017

(Thousands of United States dollars)

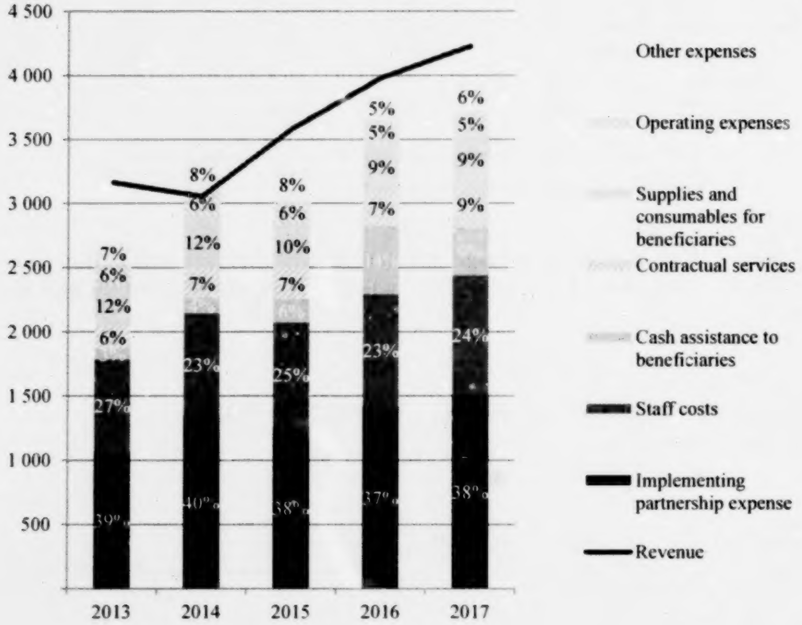


25. In terms of financial performance (see statement II), UNHCR ended the year with a surplus (revenue minus expenses, including foreign exchange losses) of $377.5 million, compared with a surplus of $126.9 million at the end of 2016.

26. The significant change in the annual result of 2017 in comparison with 2016 is driven mainly by the increase in voluntary contributions revenue of $226.2 million together with a decrease in cash assistance to beneficiaries of $157.3 million and an improvement in foreign exchange gains of $107.2 million being offset by an increase in implementing partnership expenses of $91.9 million and of contractual services by $74.8 million.

27. Figure IV.IV depicts the revenue and expenses for the period from 2013 to 2017.

Figure IV.IV
Revenue and expenses, 2013–2017
(Millions of United States dollars)



28. The total revenue for 2017 was $4,226.5 million, an increase of $247.1 million, or 6.2 per cent, compared with 2016. Voluntary contributions from donors, including in-kind contributions, amounted to $4,148.1 million (accounting for 98.1 per cent of the total revenue), of which $1,023.7 million was intended for future years' activities (2018–2022).

29. The total expenses for the financial period amounted to $3,942.8 million, an increase of 2.7 per cent compared with 2016 ($3,839.0 million). Statement V presents the 2017 expenditure of $4,083.4 million on a modified cash basis used for budgeting purposes. The reconciliation between the two bases is presented in note 7. Notable changes from 2016 in annual expenses reported in statement II for 2017 are explained in the paragraphs below.

30. Expenses pertaining to agreements signed with implementing partners, amounting to $1,512.7 million, increased by 6.5 per cent compared with 2016

($1,420.8 million). The largest increase occurred in the operations responding to the Syrian situation (Greece, Jordan, Lebanon, the Syrian Arab Republic and Turkey), followed by the operations in Kenya, Uganda and the United Republic of Tanzania. UNHCR also increased its support to national partners in pursuit of fulfilling its commitment towards the Grand Bargain on humanitarian financing.

31. Staff salaries and benefits, amounting to $929.7 million, increased by 6.4 per cent compared with 2016 ($874.0 million), reflecting the impact of the demands of emergencies faced during the period.

32. Cash assistance to beneficiaries represents support provided directly by UNHCR and excludes amounts distributed through partners, which are reported as part of the implementing partnership expenses. The cash assistance managed directly by UNHCR, amounting to $370.5 million, decreased by 29.8 per cent compared with 2016 ($527.8 million). The main decreases related to the programmes in Afghanistan ($130.1 million) and Lebanon ($91.7 million), while the main increase related to Greece ($34.9 million).

33. Expenses for contractual services, amounting to $361.7 million, increased by 26.1 per cent compared with 2016 ($286.9 million). Increases are observed across major operations for various specialized contracts, primarily for transport and cargo handling ($70.9 million) and medical care for beneficiaries ($65.3 million).

34. Expenses for supplies and consumables for beneficiaries amounted to $340.1 million, representing a decrease of 4.6 per cent compared with 2016 ($356.5 million).

35. The year 2017 continued to be characterized by low interest rates in respect of the United States dollar and the euro. The organization's investment management objective is to emphasize capital preservation and liquidity over the rate of return. An interest revenue of $9.9 million ($4.6 million in 2016) was generated during the year. The increase compared with 2016 is attributable to higher average cash balances and higher average interest rates.

36. The distribution of the surplus for 2017 is shown in the statement of changes in net assets (statement III). The revenue for 2017 included the recognition of $1,023.7 million relating to monetary contributions and pledges from donors recorded and recognized in 2017 but intended for future-period activities (2018–2022), as shown in table 5.1.2. Furthermore, UNHCR had legal commitments (open purchase orders) of $393.8 million as at 31 December 2017 for goods and services to be received early in 2018. Accordingly, some of the revenue recognized in 2017 will only be matched by expenses to be incurred during 2018 and subsequent years.

D. Programme budget performance highlights

37. While the financial statements have been prepared on an accrual basis, the programme budget of UNHCR continues to be formulated and presented on a modified cash basis. Therefore, for the purpose of budgetary management and performance analysis, expenses are translated into an equivalent basis. A summary of the comparison of budget and actual amounts is shown in statement V.

38. All figures quoted in the present section as expenditure, income or funds available refer to modified cash basis figures, comparable with budgets and exclusive of the Working Capital Fund, the Staff Benefits Fund, the Medical Insurance Plan and any special accounts held during the period.

39. The global needs assessment budget of UNHCR is formulated on the basis of assessed needs, which is a unique feature within the United Nations system of

organizations. An assessment of the needs of persons of concern to UNHCR serves as the basis for the formulation of the programme budget.

40. Subsequent to the approval of the budget by the Executive Committee, a global appeal is launched for fundraising purposes. The High Commissioner authorizes the allocation of funds for the implementation of programmes and projects on the basis of the availability of funds. During the implementation period, the High Commissioner may revise the budget with supplementary budgets, in accordance with article 7.5 of the financial rules for voluntary funds administered by the High Commissioner, to meet new or additional needs arising in the course of the same period.

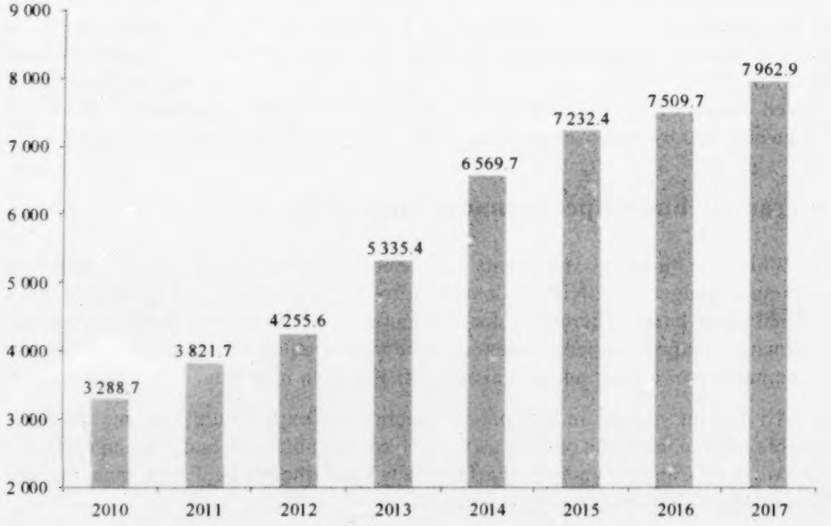
41. The original budget for 2017 approved by the Executive Committee at its sixty-sixth session (October 2015) amounted to $6,408.5 million. Subsequently, at its sixty-seventh session (October 2016), the Executive Committee approved the revised budget for 2017, amounting to $7,309.7 million. The final budget for 2017 amounted to $7,962.9 million, representing the sum of the approved revised budget of $7,309.7 million and the total supplementary budgets established by the High Commissioner in the course of the year in the amount of $832.1 million, minus a budget reduction of $178.9 million. The supplementary budgets established in 2017 pertained to responses for the situations in Burundi ($33.3 million), the Central Mediterranean routes ($56.7 million), the Democratic Republic of the Congo ($34.3 million), Myanmar ($53.6 million), Nigeria ($49.7 million), Somalia ($85.0 million), South Sudan ($373.5 million) and the Syrian Arab Republic ($146.0 million). The reduction is due mainly to the realignment of the inter-agency Regional Refugee and Resilience Plan in response to the Syrian crisis.

42. Since the introduction of the global needs assessment budget in 2010, requirements have reflected a steady increase, reaching $7,962.9 million in 2017, a 6.0 per cent increase compared with 2016 (see figure IV.V).

Figure IV.V

Requirements, 2010–2017

(Millions of United States dollars)



43. The resource requirements of UNHCR are grouped under each of the four main programme pillars: global refugee programme (pillar 1), global stateless programme (pillar 2), global reintegration projects (pillar 3) and global internally displaced persons projects (pillar 4).

44. Table IV.3 shows the breakdown of total requirements, funds available and expenditure by pillar, with the United Nations Regular Budget Fund and the Junior Professional Officers Fund included under pillar 1. The difference between the total requirements for 2017 (global needs assessment budget) and the funds available represents the unfunded needs of persons of concern to UNHCR in 2017, amounting to $3,452.9 million, or 43.4 per cent of the total.

Table IV.3

Total requirements, funds available and expenditure, 2017[a]

(Millions of United States dollars unless otherwise indicated)

	Pillar 1[b]	*Pillar 2*	*Pillar 3*	*Pillar 4*	*Total*
Total requirements (global needs assessment budget)	6 298.6	57.8	406.4	1 200.0	7 962.9
Funds available	3 803.5	33.4	104.6	568.5	4 510.0
Expenditure	3 398.0	32.7	99.1	553.5	4 083.4
Carry-over	405.5	0.8	5.4	15.0	426.7
Expenditure on total requirements (percentage)	54	57	24	46	51
Expenditure on funds available (percentage)	89	98	95	97	91

[a] Totals in the table may not add up because of rounding.

[b] Pillar 1 is inclusive of the United Nations Regular Budget Fund, the Junior Professional Officers Fund, the operational reserve and the reserve for new or additional mandate-related activities.

45. The expenditure amount of $4,083.4 million in 2017 represents an increase of $116.3 million, or 2.9 per cent, compared with 2016 ($3,967.1 million), and an increase of $2,205.2 million, or 117.4 per cent, compared with expenditure in 2010 ($1,878.2 million). Figure IV.VI provides the distribution of 2017 expenditure by pillar and figure IV.VII is a graphic illustration of annual expenditure over the period from 2010 to 2017.

Figure IV.VI

2017 expenditure: distribution by pillar

(Percentage)

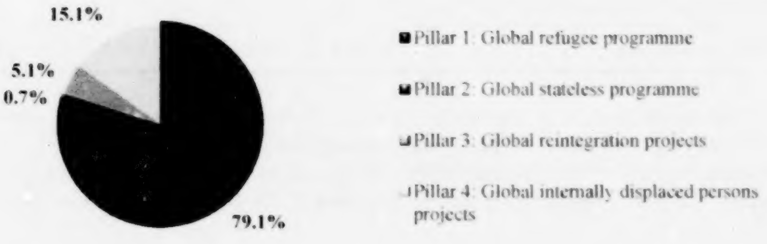
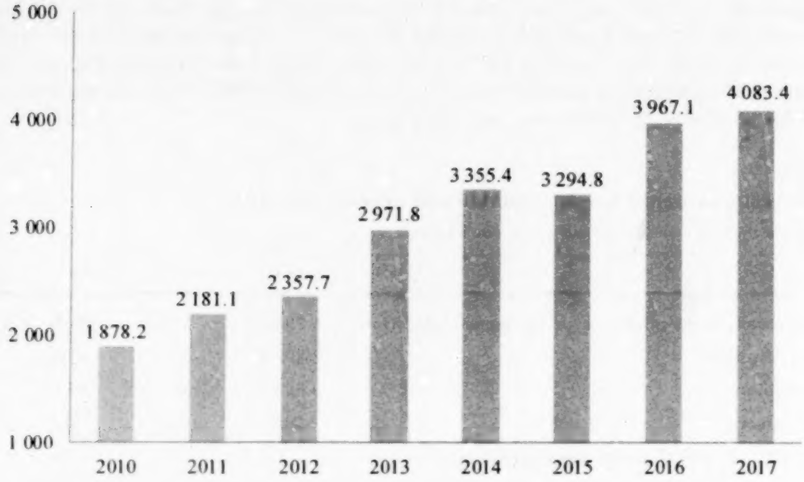


Figure IV.VII
Expenditure, 2010–2017
(Millions of United States dollars)



46. Table IV.4 shows 2017 expenditure, broken down in terms of programme, programme support, management and administration costs and the Junior Professional Officers Programme, with comparative figures for 2016.

Table IV.4
2017 expenditure by programme, programme support, management and administration and Junior Professional Officers Programme
(Millions of United States dollars)

	2017		*2016*	
	Amount	*Percentage*	*Amount*	*Percentage*
Programme	3 315.7	81.2	3 292.1	83.0
Programme support	608.3	14.9	521.2	13.1
Management and administration	151.7	3.7	147.2	3.7
Junior Professional Officers Programme	7.7	0.2	6.6	0.2
Total expenditure	**4 083.4**	**100.0**	**3 967.1**	**100.0**

47. The evolution of the expenditure for the three budget components, namely, programme, programme support and management and administration costs (excluding the Junior Professional Officers Programme) is presented graphically, both as values and percentages, in figures IV.VIII and IV.IX for the period from 2010 to 2017.

Figure IV.VIII
Evolution of expenditure, 2010–2017

(Millions of United States dollars)

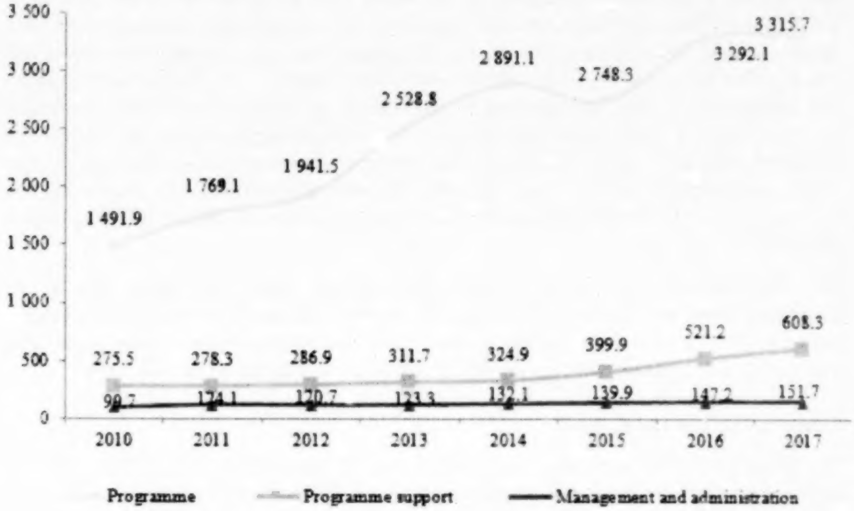
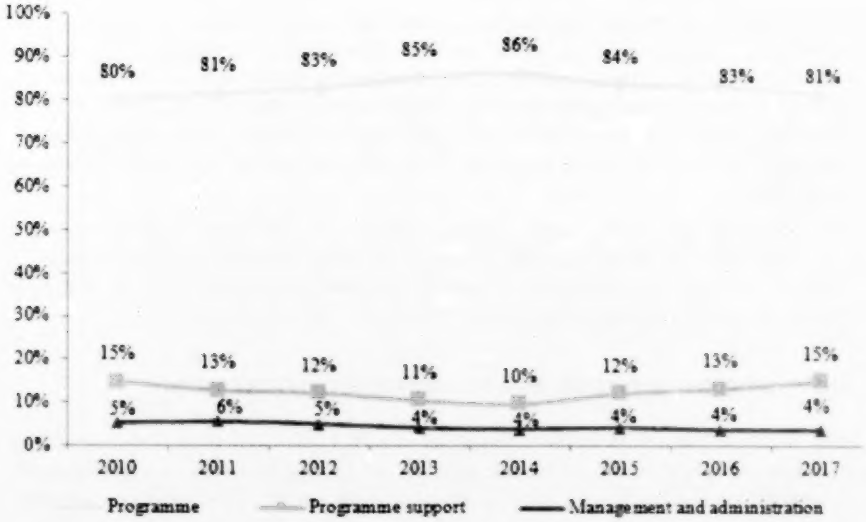


Figure IV.IX
Evolution of expenditure, 2010–2017

(Percentage)



E. Risk management

Enterprise risk management

48. UNHCR has had a functioning enterprise risk management framework since 2014. The Office has a corporate risk register recording all risks assessed by its field operations and headquarters. The register is updated through a mandatory annual risk review. The mandatory annual risk review is incorporated into the annual planning and budgeting process, contributing to risk-informed planning and implementation. In the course of 2017, risks related to fraud and corruption were systematically included in the corporate risk register, and operations manage and review them as part of the standard risk management process. The outcome of the 2017 annual review serves as a basis for informed planning and implementation management in the course of 2018.

49. The Office also has a strategic risk register, capturing major risk trends stemming from the corporate risk register, as well as centrally identified strategic risks. In the second half of 2017, the focus on strategic and operational risk management increased with the launch of the Risk management 2.0 initiative.

Financial risk management

50. Financial risk management is carried out by the Office of the Controller, in compliance with the Financial Regulations of the United Nations, the financial rules for voluntary funds administered by the High Commissioner for Refugees and the United Nations financial rules, where applicable. The Office applies rigorous strategic planning and resource allocation, together with integrated liquidity and foreign exchange management. The Investment Committee, chaired by the Controller, provides oversight of the financial risk management and effective investment of available cash holdings of UNHCR not required for immediate use.

51. UNHCR maintains and manages a multi-currency portfolio derived from the receipt of voluntary contributions and the disbursement of payments in various currencies that are naturally hedged. The organization resorts only to limited monthly foreign exchange hedging transactions, with no open contracts to report at year-end. Integrated supply, finance and treasury management systems provide the basis for managing global cash flows on a real-time basis and sound cash-flow forecasting capability.

52. UNHCR risk management policies limit the amount of credit exposure to any one institution and include the application of minimum credit quality guidelines. All surplus fund placements have been concluded with financial institutions that have been accorded the strongest ratings by the primary rating agencies.

F. Internal control system and accountability framework

53. In accordance with UNHCR financial rule 10.1, the Controller is responsible to the High Commissioner for establishing internal controls to ensure: (a) the regularity of receipt, custody and disposal of all assets entrusted to him; and (b) the conformity of commitments and expenses with the directives of the Executive Committee or, as appropriate, with the purpose and conditions of the funds or accounts administered by UNHCR.

54. Internal control and accountability processes are exercised continually at all operational levels within the organization in line with the requirements established through the following core documents:

(a) The global management accountability framework, which comprehensively maps accountabilities, responsibilities and authorities throughout the organization and relates them to the corresponding management policies, tools and guidance;

(b) The financial internal control framework and delegation-of-authority plans;

(c) The resource allocation framework;

(d) The budgetary internal control framework and budgetary control plan;

(e) Policies and procedures governing project management by partners and the monitoring, control and auditing of projects under partnership agreements.

55. UNHCR also benefits from a robust system of review of the effectiveness of internal controls, which is conducted by the bodies and mechanisms identified below.

Office of Internal Oversight Services

56. The Office of Internal Oversight Services (OIOS) has performed internal audit services at UNHCR since 1997, in accordance with UNHCR financial rule 12.1 and United Nations financial regulation 5.15. A memorandum of understanding between UNHCR and OIOS defines the arrangements for internal audit services to be provided by OIOS. The current memorandum of understanding was signed on 5 March 2018. The UNHCR Audit Service of the Internal Audit Division of OIOS is based in Geneva, with offices in Nairobi, Amman and Budapest. The Service consists of 26 staff, and all positions were encumbered as at 1 April 2018. The internal auditors undertake regular missions to review UNHCR operations in the field and organizational units, functions and systems at headquarters. The UNHCR Audit Service also undertakes thematic audits, reviews of recurrent issues and advisory engagements. The audit observations and recommendations are issued as internal audit reports addressed to the High Commissioner. All reports are made public on the OIOS website. OIOS also provides an annual summary report on its activities and assessments both to the UNHCR Executive Committee and to the General Assembly. In 2017, OIOS issued 28 reports. These included 19 audit reports on field operations, 8 audit reports on headquarters/thematic areas and one advisory report. The headquarters/thematic audits and reviews covered areas such as livelihoods programmes, shelter programmes, information and communications technology, accounts receivable, distribution of core relief items, staff accommodations and education grant entitlements. The advisory engagement dealt with a review of the implementation of the enterprise risk management policy and procedures at UNHCR.

Independent audit of projects implemented by partners

57. UNHCR carries out a high percentage of its activities through implementing partners. In 2017, UNHCR continued to collaborate with more than 1,000 partners in conducting its operations. The audit of projects implemented by partners is an important management tool for field offices and headquarters, as it assists the organization in obtaining:

(a) Reasonable assurance that the final report submitted by the partner is free from material misstatement and in accordance with the terms of the project partnership agreement;

(b) A review of the partner's compliance with the partnership agreement;

(c) An assessment of the partner's internal controls and financial management practices.

58. UNHCR applies a risk-based audit approach in relation to the projects implemented by partners. The methodology of selection of projects is based on a risk assessment of the project. Audit services have been centrally procured and four global, independent and reputable audit service providers have been engaged by UNHCR, resulting in a competitive selection of audit services, an efficient process of project audit certification, enhanced timely delivery of reports and improved consistency and quality of reports. The quality of audit work delivered as part of this arrangement is monitored and assessed during the year against key performance indicators and mutually agreed terms of reference.

Independent Audit and Oversight Committee

59. The Independent Audit and Oversight Committee assists the High Commissioner and the Executive Committee in exercising their oversight responsibilities, in accordance with relevant best practice, industry standards and the financial and staff regulations and rules applicable to UNHCR. In 2017, the Committee held three sessions, during which it discussed and made observations on various issues relating to oversight, including internal and external audit, financial management, inspection, investigation, evaluation, ethics, risk management, fraud prevention, the internal control framework of UNHCR and cybersecurity. The Committee communicated its concluding observations following each session and presented its annual report to the Standing Committee in September 2017.

Inspector General's Office

60. The Inspector General's Office is an independent internal oversight body headed by the Inspector General. Through its work, it supports the effective, efficient and accountable management of UNHCR field operations and headquarters activities, while informing the High Commissioner of challenges, problems and deficiencies in delivering the UNHCR mandate. In addition, the Inspector General manages the relationship with OIOS for the provision of internal audit services. The Inspector General's Office comprises two services (Investigation and Strategic Oversight). The Investigation Service undertakes investigations and conducts ad hoc inquiries regarding violent attacks on UNHCR personnel and operations where these involve fatalities, major injuries or large-scale damage to UNHCR assets. Strategic Oversight, established in 2017, analyses oversight findings, identifies root causes and recurring systemic issues, provides recommendations on significant oversight matters requiring management action and conducts ad hoc inspections in response to specific management problems or needs. It also coordinates matters related to the work of the Joint Inspection Unit of the United Nations system and provides secretariat support to the Independent Audit and Oversight Committee, with a view to enhancing coherence while consolidating oversight functions.

Other tools and mechanisms

61. It is worth noting the following additional efforts made by UNHCR to strengthen its internal control system and maximize the effective and efficient use of its resources:

(a) Focusing management attention on effective follow-up to recommendations made by internal and external oversight bodies, reporting regularly to the Independent Audit and Oversight Committee and the Executive Committee on the volume and nature of the outstanding recommendations;

(b) Documenting all actions to be taken to address the recommendations of the Board of Auditors;

(c) Reviewing and streamlining, when deemed necessary, the internal policies, procedures and guidance available to staff;

(d) Holding periodic senior management committee meetings to review and discuss aspects relating to the reinforcement of risk and performance management practices throughout the organization.

G. Going concern

62. The consequences of any potential reductions, delays in receipt or defaults in payments of contributions, in particular within the context of the global economic and financial situation, have been evaluated by the management of UNHCR. Management considers that the organization has adequate resources to continue its operations as planned in the medium term. This assertion is based on the approval by the Executive Committee of the revised budget requirements for 2018 during its meeting in October 2017 and the historical trend of the collection of pledges in recent years. Therefore, UNHCR has adopted the going-concern basis in the preparation of its financial statements.

Chapter V

Financial statements for the year ended 31 December 2017

United Nations High Commissioner for Refugees

I. Statement of financial position as at 31 December 2017

(Thousands of United States dollars)

	Reference	*31 December 2017*	*31 December 2016 (restated)*
Assets			
Current assets			
Cash and cash equivalents	Note 3.1	945 635	972 350
Investments	Note 3.1	170 000	150 000
Contributions receivable	Note 3.2	1 049 686	795 553
Inventories	Note 3.3	226 009	203 820
Other current assets	Note 3.4	156 216	134 440
Total current assets		**2 547 546**	**2 256 162**
Non-current assets			
Contributions receivable	Note 3.2	255 994	138 716
Property, plant and equipment	Note 3.5	157 245	156 251
Intangible assets	Note 3.6	26 235	18 675
Total non-current assets		**439 475**	**313 642**
Total assets		**2 987 021**	**2 569 804**
Liabilities			
Current liabilities			
Accounts payable and accruals	Note 3.7	163 916	184 047
Employee benefits	Note 3.8	92 714	88 324
Other current liabilities	Note 3.9	4 182	6 265
Total current liabilities		**260 812**	**278 636**
Non-current liabilities			
Employee benefits	Note 3.8	725 650	657 871
Provisions	Note 3.10	13 708	3 199
Total non-current liabilities		**739 359**	**661 070**
Total liabilities		**1 000 171**	**939 706**
Net assets		**1 986 850**	**1 630 099**
Fund balances and reserves			
Accumulated fund balances and reserves	Note 3.11	2 527 317	2 213 987
Working Capital and Guarantee Fund	Note 3.12	100 000	50 000
Medical Insurance Plan	Note 3.13	37 041	32 351
Staff Benefits Fund	Note 3.14	(677 507)	(666 239)
Total fund balances and reserves		**1 986 850**	**1 630 099**

The accompanying notes form an integral part of these financial statements.

The amounts in the statements and note tables are rounded to the nearest thousand dollars. Totals may not add up owing to rounding. The 2016 amounts are restated as explained in note 3.4.

United Nations High Commissioner for Refugees

II. Statement of financial performance for the year ended 31 December 2017

(Thousands of United States dollars)

	Reference	*2017*	*2016 (reclassified)*
Revenue			
Voluntary contributions	Note 5.1	4 148 103	3 921 909
United Nations regular budget		47 755	36 661
Interest revenue		9 896	4 640
Other revenue	Note 5.2	20 766	16 172
Total revenue		**4 226 520**	**3 979 382**
Expenses			
Implementing partnership expenses	Note 6.1	1 512 745	1 420 796
Salaries and employee benefits	Note 6.2	929 722	874 030
Cash assistance to beneficiaries	Note 6.3	370 540	527 790
Contractual services	Note 6.4	361 724	286 935
Supplies and consumables for beneficiaries	Note 6.5	340 050	356 525
Operating expense	Note 6.6	211 127	188 464
Equipment and supplies	Note 6.7	76 569	63 013
Travel expense		64 753	57 259
Depreciation, amortization and impairment	Note 6.8	49 849	45 430
Other expenses	Note 6.9	25 760	18 787
Total expenses		**3 942 840**	**3 839 029**
Foreign exchange (gains)/losses	Note 6.10	(93 774)	13 468
Surplus/(deficit) for the year		**377 454**	**126 885**

The accompanying notes form an integral part of these financial statements.

The amounts in the statements and note tables are rounded to the nearest thousand dollars. Totals may not add up owing to rounding.

The 2016 amounts are reclassified as explained in note 2. The reclassified amounts are reflected in the relevant expense (note 6).

United Nations High Commissioner for Refugees

III. Statement of changes in net assets for the year ended 31 December 2017

(Thousands of United States dollars)

	Reference	*Accumulated fund balances and reserves*	*Working Capital and Guarantee Fund*	*Staff Benefits Fund*	*Medical Insurance Plan*	*Total*
Net assets at 1 January 2016 (restated)		2 055 934	50 000	(642 382)	36 596	1 500 147
Movements in fund balances and reserves in 2016						
Surplus/(deficit) for the period	Notes 3.11, 3.12, 3.13, 3.14	183 111	(12 927)	(47 224)	3 925	126 885
Gain on after-service health insurance actuarial valuation	Note 3.8	–	–	3 066	–	3 066
Funding of long-term employee liabilities	Notes 3.8, 3.14	(20 301)	–	20 301	–	–
Transfers	Notes 3.11, 3.12, 3.13, 3.14	(4 757)	12 927	–	(8 170)	–
Total movements during 2016		**158 053**	**–**	**(23 857)**	**(4 245)**	**129 951**
Net assets at 31 December 2016 (restated)		**2 213 987**	**50 000**	**(666 239)**	**32 351**	**1 630 099**
Movements in fund balances and reserves in 2017						
Surplus/(deficit) for the period	Notes 3.11, 3.12, 3.13, 3.14	323 100	99 713	(50 050)	4 690	377 454
Loss on actuarial valuations of post-employment benefits	Note 3.8	–	–	(20 702)	–	(20 702)
Funding of long-term employee liabilities	Notes 3.8, 3.14	(59 483)	–	59 483	–	–
Transfers	Notes 3.11, 3.12, 3.13, 3.14	49 713	(49 713)	–	–	–
Total movements during 2017		**313 330**	**50 000**	**(11 268)**	**4 690**	**356 752**
Total net assets at 31 December 2017		**2 527 317**	**100 000**	**(677 507)**	**37 041**	**1 986 850**

The accompanying notes form an integral part of these financial statements.
The amounts in the statements and note tables are rounded to the nearest thousand dollars. Totals may not add up because of rounding.

United Nations High Commissioner for Refugees

IV. Statement of cash flow for the year ended 31 December 2017

(Thousands of United States dollars)

	Reference	*2017*	*2016 (reclassified)*
Cash flows from operating activities:			
Surplus/(deficit) for the period		**377 454**	**126 885**
Depreciation, amortization and impairment	Notes 3.5, 3.6	49 849	45 430
(Increase)/decrease in contributions receivable	Note 3.2	(371 411)	(125 144)
(Increase)/decrease in inventories	Note 3.3	(22 189)	(23 082)
(Increase)/decrease in other assets	Note 3.4	(21 777)	(14 196)
Increase/(decrease) in accounts payable and accruals	Note 3.7	(20 131)	30 344
Increase/(decrease) in employee benefits liabilities, net of actuarial gain/loss		51 468	47 355
Increase/(decrease) in provisions	Note 3.10	10 509	1 700
Increase/(decrease) in other liabilities	Note 3.9	(2 083)	4 134
(Gain)/loss on disposal of property, plant and equipment, and intangibles		(4 579)	(4 615)
Revenue from in-kind contributions of property, plant and equipment		(65)	(272)
Net cash flows from operating activities		**47 045**	**88 539**
Cash flows from investing activities:			
Purchase of property, plant and equipment	Note 3.5	(54 023)	(57 063)
Purchase of intangible assets	Note 3.6	(10 356)	(9 041)
Proceeds from sale of assets		10 619	7 041
Purchase of short-term investments		(470 000)	(450 000)
Maturities and sale of short-term investments		450 000	450 000
Net cash flows from investing activities		**(73 760)**	**(59 063)**
Cash flows from financing activities:			
Net cash flows from financing activities		–	–
Net increase/(decrease) in cash and cash equivalents		**(26 715)**	**29 476**
Cash and cash equivalents at beginning of the year		**972 350**	**942 874**
Cash and cash equivalents at end of the year		**945 635**	**972 350**

The accompanying notes form an integral part of these financial statements.

The amounts in the statements and note tables are rounded to the nearest thousand dollars. Totals may not add up because of rounding.

United Nations High Commissioner for Refugees

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2017[a]

(Thousands of United States dollars)

	Reference	Global needs assessment budget		Actual on comparable basis	Variances: final budget and actual amounts
		Original[b]	*Final*[c]		
Field operations					
Africa		2 223 706	2 925 200	1 390 074	1 535 126
Middle East and North Africa		1 980 691	2 260 284	1 216 225	1 044 059
Asia and the Pacific		515 186	598 632	289 619	309 013
Europe		537 123	827 748	496 479	331 269
Americas		113 952	151 387	86 037	65 350
Total field operations		**5 370 658**	**6 763 251**	**3 478 434**	**3 284 817**
Global programmes		**338 408**	**435 531**	**366 083**	**69 448**
Headquarters		**213 453**	**241 179**	**231 161**	**10 018**
Operational reserve and new or additional activities — mandate-related reserve		**474 003**	**510 896**	–	**510 896**
Junior Professional Officers Fund		**12 000**	**12 000**	7 674	**4 326**
Total	Note 7	**6 408 522**	**7 962 857**	**4 083 352**	**3 879 505**

[a] The accounting basis and the budget basis are different. This statement of comparison is prepared on the modified cash basis (further information is provided in note 7).

[b] The original budget of $6,408.5 million was approved by the Executive Committee of the Programme of the High Commissioner at its sixty-sixth session (5–9 October 2015), as contained in A/70/12/Add.1, paragraph 13.

[c] At its sixty-seventh session (3–7 October 2016), the Executive Committee approved the revised budget of $7,309.7 million based on updated requirements (see A/71/12/Add.1, para. 15). The final budget figure, $7,962.9 million, represents the sum of the approved revised budget of $7,309.7 million and the supplementary budgets established by the High Commissioner in 2017 in accordance with UNHCR financial rule 7.5, in the amount of $832.1 million and taking into account a total budget reduction of $178.9 million.

The accompanying notes form an integral part of these financial statements.

The amounts in the statements and note tables are rounded to the nearest thousand dollars. Totals may not add up because of rounding.

United Nations High Commissioner for Refugees
Notes to the financial statements

Note 1
Office of the United Nations High Commissioner for Refugees, its objectives and activities

1. The Office of the United Nations High Commissioner for Refugees (UNHCR) was established by the General Assembly in its resolution 319A (IV). Its mandate is laid down in the statute of the Office (Assembly resolution 428 (V), annex). In accordance with the statute, the High Commissioner, acting under the authority of the Assembly, shall assume the function of providing international protection, under the auspices of the United Nations, to refugees who fall within the scope of the statute and of seeking permanent solutions for the problem of refugees.

2. The General Assembly has also called upon the High Commissioner to provide assistance to returnees and to monitor their safety and well-being on return (Assembly resolution 40/118). In addition, on the basis of specific requests from the Secretary-General or the competent principal organs of the United Nations, and with the consent of the State concerned, the High Commissioner provides humanitarian assistance and protection to internally displaced persons (Assembly resolution 48/116). As to the High Commissioner's assistance activities, the basic provisions of the statute were expanded by the Assembly in its resolution 832 (IX).

3. UNHCR has been mandated by the General Assembly to provide international protection to refugees and to find solutions to their plight. While States bear the primary responsibility of protecting refugees on their territory, UNHCR was established to ensure protection on behalf of the United Nations and to promote accessions to and supervise the application of the 1951 Convention relating to the Status of Refugees and the 1967 Protocol thereto. Through successive resolutions, the Assembly has recognized additional categories of persons of concern to the Office, including refugees who have returned to their country of origin (returnees), stateless persons and, in certain circumstances, internally displaced persons. It has also authorized the Office to undertake a wider array of activities, such as the provision of humanitarian assistance and support for reintegration, as necessary, to fulfil the mandate of international protection and solutions. The UNHCR mandate on statelessness was further consolidated upon the entry into force of the 1961 Convention on the Reduction of Statelessness in 1975.

4. The High Commissioner reports annually to the General Assembly through the Economic and Social Council. The Executive Committee of the Programme of the High Commissioner was established pursuant to Assembly resolution 1166 (XII) to provide advice to the High Commissioner in the exercise of his or her functions and to approve the use of voluntary funds made available to the High Commissioner. The annual cycle of meetings of the Executive Committee consists of one plenary session and a number of intersessional meetings of its subsidiary body, the Standing Committee. In 2017, the Executive Committee consisted of 101 members. Each year, the report on the session of the Executive Committee is submitted to the General Assembly as an addendum to the annual report of the High Commissioner.

5. UNHCR has its headquarters in Geneva, with Global Service Centres in Budapest and Copenhagen, its Information and Communications Technology Service Centre in Amman and liaison offices in New York and Brussels. As at 31 December 2017, UNHCR had a presence in 130 countries, where its core work is managed from a series of regional offices, branch offices, sub-offices and field offices in the following five regions: Africa; the Americas; Asia and the Pacific; Europe; and the Middle East and North Africa. Global programmes are managed by a number of divisions at headquarters.

Note 2
Accounting policies

Basis of preparation

6. The financial statements of UNHCR have been prepared on an accrual basis of accounting, in accordance with the International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board.

7. The financial statements have been prepared on a going-concern basis. This assertion is based on the approval by the UNHCR Executive Committee of the revised budget requirements for 2017 and the biennial budgets for 2018–2019 during its meeting in October 2017 and the historical trend of collection of pledges over the past years. The accounting policies have been applied consistently throughout the financial period. The amounts in the tables of the financial report, the financial statements and the notes to the financial statements are rounded to the nearest thousand dollars. Totals may not add up owing to rounding.

Transactions and balances

8. In accordance with the financial rules for voluntary funds administered by the High Commissioner for Refugees (A/AC.96/503/Rev.10), the functional and reporting currency of UNHCR is the United States dollar.

9. Foreign currency transactions are translated into dollars using the United Nations operational rate of exchange, which approximates the exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into dollars at the year-end closing rate of the operational rate of exchange.

10. Both realized and unrealized foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of foreign currency-denominated monetary assets and liabilities are recognized in the statement of financial performance.

Statement of cash flow

11. The statement of cash flow is prepared using the indirect method.

Materiality and use of judgment and estimates

12. The financial statements necessarily include estimated amounts based on management's knowledge, judgment and assumptions with regard to events and actions. Estimates include but are not limited to the fair value of donated goods and services, accrued charges and liabilities for after-service employee benefits, the impairment on accounts receivable, inventories, property, plant and equipment, and contingent assets and liabilities.

13. The concept of materiality is applied for the development of accounting policies and the preparation of financial statements.

14. In 2017, UNHCR revised its chart of accounts to eliminate excessive detail and improve consistency and, as a result, the classification of revenue and expenses in the statement of financial performance has changed in several areas. The comparative amounts for the prior-year expenses have been reclassified and significant presentation changes are indicated accordingly in the relevant notes.

Revenue

Non-exchange revenue

15. Revenue from the United Nations regular budget, voluntary contributions and pledges of voluntary contributions confirmed in writing are recognized as non-exchange transactions in accordance with IPSAS 23: Revenue from non-exchange transactions. UNHCR considers that, owing to the application of substance over form, and while there are stipulations that represent restrictions on the use of contributions it receives, no stipulation meets the definition of a condition as described under IPSAS 23.

16. Voluntary and non-conditional cash contributions from donors for which no formal binding agreements are required are recognized as revenue when the cash contribution is received from the donor.

17. Refunds of voluntary contributions for which revenue was recognized in prior years are recorded as revenue adjustments in the year that the refund requirement is identified.

In-kind contributions

18. In-kind contributions of goods and services that directly support operations and activities and can be reliably measured are recognized as revenue at fair value. Fair value is generally measured by reference to the price of the same or similar items in an active market. These contributions include goods which are distributed to beneficiaries, use of premises, utilities, transport and personnel. In-kind contributions of goods are recognized as revenue and assets either when the related pledges are confirmed in writing or upon receipt of the goods, whichever is earlier. In-kind contributions of services are treated as both revenue and expense upon receipt.

Exchange revenue

19. Revenue arising from the rendering of services, sale of goods or use by others of UNHCR assets is recognized as exchange revenue in accordance with IPSAS 9: Revenue from exchange transactions.

Interest revenue

20. Interest revenue is recognized over the period that it is earned.

Expenses

21. In accordance with the accrual basis of accounting, expense recognition occurs at the time of delivery by the supplier or service provider and acceptance of goods or services. Expenses are recorded and recognized in the financial statements for the periods to which they relate.

Financial instruments

22. Financial instruments are contractual arrangements that result in a financial asset for one entity and a financial liability or equity instrument for another. UNHCR financial instruments comprise cash and cash equivalents, investments, accounts receivable and accounts payable and accruals. All of the financial assets of UNHCR are currently classified as loans and receivables. The classification is subject to annual review.

Assets

Cash and cash equivalents

23. Cash and cash equivalents are held at fair value and comprise cash on hand, cash at banks and short-term deposits with maturities of three months or less.

Investments

24. Investment revenue is recognized over the period that it is earned and is included in interest revenue.

Contributions and other receivables

25. Current receivables are stated at nominal value, less allowance for doubtful accounts. Allowances for doubtful accounts are recognized when there is objective evidence that a receivable is impaired. Allowances are recognized on the basis of historical collection experience and/or evidence indicating that the collection of a particular receivable is in doubt. Impairment losses are recognized in the statement of financial performance of the year in which they arise.

Inventories

26. Inventories consist primarily of items which are distributed to beneficiaries. They include non-food items such as tents, bedding materials, household items, medical and hygienic supplies and apparel, and construction and related equipment materials. Some food items are also included in inventories.

27. Inventories are stated at fair value, measured as the lower of cost and current replacement cost. Inventory items received as in-kind contributions are measured at fair value as at the date the related asset is initially recorded.

28. The cost of inventories includes purchase cost (or fair value if received in kind) and all other costs, such as transportation, insurance and inspection costs incurred to bring the inventories to the first UNHCR receiving location in the final destination country.

29. The cost of inventories purchased and shipped directly to field offices is determined by using specific identification of their individual actual cost. The cost of inventories purchased and initially shipped to central warehouses is determined on the weighted average basis.

30. Inventories are expensed when distributed directly by UNHCR to beneficiaries, transferred to implementing partners or provided to other entities for relief assistance purposes.

31. Inventories are reviewed periodically for obsolescence and an allowance is made on the basis of past experience.

Property, plant and equipment

Measurement of costs at recognition

32. Property, plant and equipment are considered non-cash-generating assets, as they are not held to generate a commercial return and are stated at historical cost, less accumulated depreciation and any impairment losses.

33. Individual items of property, plant and equipment are capitalized when their expected original acquisition price is equal to or greater than the threshold of $10,000.

34. Permanent buildings are capitalized only in locations of UNHCR headquarters, UNHCR regional offices or UNHCR representation. Acquisition costs of all other permanent buildings are expensed at the time of acquisition. UNHCR rights in relation to other buildings, used primarily for operations in direct support of beneficiaries, are regularly limited and not fully equivalent to a title of ownership.

Depreciation method and useful life

35. Depreciation is charged so as to allocate the cost of assets over their estimated useful lives. Property, plant and equipment is depreciated using the straight-line method, except for land, which is not subject to depreciation. The estimated useful lives for the various classes of property, plant and equipment are as follows and are subject to annual review:

Class	*Estimated useful life (in years)*
Permanent buildings — headquarters	40
Permanent buildings — other locations	20
Mobile buildings and semi-permanent structures	5
Leasehold — major improvements and alterations	The lesser of the remaining lease term, plus any renewal option expected to be exercised, and the asset's useful life
Donated right of use — major improvements and alterations	The lesser of the period for which UNHCR expects to use the asset and the asset's useful life
Motor vehicle equipment — heavy	10
Motor vehicle equipment — light	5
Equipment, including generators, telecommunications, security and safety, storage and office furniture and fittings	5
Computers and workshop equipment	3

36. Assets that are subject to depreciation or amortization are reviewed annually for impairment to ensure that the carrying amount is still considered to be recoverable.

Intangible assets

37. Intangible assets are considered non-cash-generating assets, as they are not held to generate a commercial return and are stated at historical cost less accumulated amortization and any impairment losses. For donated intangible assets, the fair value as of the date of acquisition is used as a proxy for cost. Capitalized intangible assets under development are recorded at cost where such cost can be reliably measured. Any remaining research and development costs are immaterial.

38. Intangible assets are capitalized if their original acquisition cost is equal to or greater than the threshold of $30,000. Internally developed software, including any reliably measurable internal staff costs incurred in development, is capitalized above a total cost threshold of $150,000.

39. Amortization is provided over the estimated useful life using the straight-line method. The estimated useful lives for the intangible asset classes are as follows:

Class	*Estimated useful life (in years)*
Software acquired externally	3 years
Software developed internally	5 years
Licences and rights, copyrights, intellectual property and other intangible assets	Shorter of the licence or rights period and useful life of 3 years

Liabilities

Financial liabilities

40. Financial liabilities include accounts payable and accruals, employee benefits liabilities, provisions and other financial liabilities.

Accounts payable and accruals

41. Accounts payable are financial liabilities in respect of either goods or services that have been acquired and received by UNHCR and for which the invoices have been received from the suppliers, or payments due to implementing partners against agreements with those partners. They are initially recognized at fair value and, when applicable, subsequently measured at amortized cost using the effective interest method. As the accounts payable of UNHCR generally fall due within 12 months, the impact of discounting is immaterial, and nominal values are applied to initial recognition and subsequent measurement.

42. Accruals are liabilities for goods and services that have been received or provided to UNHCR during the year and have not been invoiced by suppliers as at the reporting date.

Other liabilities

43. Other liabilities primarily include obligations for future refunds and other miscellaneous items such as unapplied cash receipts. They are designated similarly to accounts payable and accruals and are recorded at nominal value, as the impact of discounting is immaterial.

Employee benefits

44. UNHCR recognizes the following categories of employee benefits:

(a) Short-term employee benefits due to be settled within 12 months after the end of the accounting period during which employees rendered the related service;

(b) Post-employment benefits;

(c) Other long-term employee benefits;

(d) Termination benefits.

Short-term employee benefits

45. Short-term employee benefits in UNHCR comprise mainly salaries, wages and payroll-related allowances, employee benefits on initial assignment, education grants and other benefits such as paid annual leave. Short-term employee benefits are measured at nominal value.

Post-employment benefits

46. Post-employment benefits in UNHCR include defined benefit plans, such as the United Nations Joint Staff Pension Fund, after-service health insurance, and repatriation grants.

47. The liability recognized for these benefits other than for the Pension Fund is the present value of the defined benefit obligations at the reporting date. The defined benefit obligations are calculated by independent actuaries using the projected unit credit method. Actuarial gains and losses arising from changes in actuarial assumptions are recognized directly in equity.

United Nations Joint Staff Pension Fund

48. UNHCR is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified in article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international or intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

49. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. UNHCR and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify the proportionate share of UNHCR in the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNHCR has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25: Employee benefits. UNHCR contributions to the Pension Fund during the financial period are recognized as expenses in the statement of financial performance.

Other long-term employee benefits

50. Other long-term employee benefits include end-of-service grants.

Provisions and contingencies

51. A provision is made when UNHCR has a present legal or constructive obligation as a result of past events and it is probable that UNHCR will be required to settle the obligation, and the amount can be reliably estimated. The amount of the provision is the best estimate of the expenditures expected to be required to settle the present obligation at the reporting date. This estimate is discounted where the effect of the time value of money is material.

52. Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of UNHCR.

Budget comparison

53. The UNHCR budget is formulated on a modified cash basis. In the statement of financial performance (statement II), expenses are classified and listed by the nature

of expenses, whereas in the statement of comparison of budget and actual amounts (statement V), expenditure is classified by operation.

54. The UNHCR budget is based on a global needs assessment and provides a comprehensive statement of resources required to address the needs of persons of concern. The High Commissioner may approve supplementary budgets under the biennial programme budget in the case of new needs that cannot be fully met from the operational reserve. These adjustments are reported to each subsequent meeting of the Standing Committee. The High Commissioner is authorized to implement the budgets to the extent that funds become available under the voluntary funds administered by the High Commissioner.

55. The statement of comparison of budget and actual amounts (statement V) shows the original budget and compares the final budget to actual amounts on the same basis as the corresponding budgetary amounts. As the bases used to prepare the budget and the financial statements differ, note 7 provides the reconciliation between the actual amounts presented in statement V and the actual amounts presented in the statement of financial performance (statement II).

Segment reporting

56. In accordance with IPSAS 18: Segment reporting, the financial statements are also presented by segment. A segment is a distinguishable activity or group of activities for which financial information is reported separately for the purpose of evaluating the entity's past performance in achieving its objectives and in making decisions about the future allocation of resources.

57. UNHCR classifies all its activities into three segments: (a) programmes; (b) projects; and (c) special funds and accounts. UNHCR reports on the transactions of each segment during the year and on the balances held at the end of the year.

58. Programmes include the global refugee programme (pillar 1), the global stateless programme (pillar 2) and the activities funded by the United Nations Regular Budget Fund and the Junior Professional Officers Fund. The global refugee programme relates to the UNHCR mandate regarding refugees and covers protection, assistance and durable solutions in countries of asylum (including all activities to facilitate the voluntary repatriation of refugees), together with capacity-building, advocacy and resource mobilization activities. The global stateless programme relates to the UNHCR mandate regarding statelessness and covers all programmes addressing stateless persons, including populations with undetermined nationality. The Junior Professional Officers Fund covers activities relating to the recruitment, training and development of young professionals sponsored by various Governments.

59. Projects include the global reintegration projects (pillar 3) and the global internally displaced persons project (pillar 4). Global reintegration projects relate to an area where UNHCR has joint responsibilities with other United Nations system organizations covering longer-term activities to reintegrate returning refugees in their country of origin or to locally integrate refugees in their country of asylum. Global internally displaced persons projects cover operations for internally displaced persons where UNHCR is operating within the inter-agency cluster approach.

60. The High Commissioner submits the financial requirements for programmes and projects under the four pillars, including the operational reserve and the new or additional mandate-related activities reserve, biennially to the Executive Committee for approval.

61. As at 31 December 2017, the special funds and accounts comprised the Working Capital and Guarantee Fund, the Staff Benefits Fund and the Medical Insurance Plan.

New accounting standards

62. The International Public Sector Accounting Standards listed below were issued in 2015, with an effective date of 1 January 2017:

- IPSAS 33: First-time adoption of accrual basis IPSAS
- IPSAS 34: Separate financial statements
- IPSAS 35: Consolidated financial statements
- IPSAS 36: Investments in associates and joint ventures
- IPSAS 37: Joint arrangements
- IPSAS 38: Disclosure of interests in other entities

Not being a first-time adopter of IPSAS in 2017, IPSAS 33 is not relevant to UNHCR. As a stand-alone entity with no investments, interests in, or joint arrangements with other entities, IPSAS 34–38 have no impact on the financial statements of UNHCR.

63. IPSAS 39: Employee benefits was issued in 2016 and will replace IPSAS 25: Employee benefits as from 1 January 2018. As UNHCR does not apply the corridor method under IPSAS 25 and does not currently hold legally segregated and protected plan assets, the impact of IPSAS 39 is not expected to be significant.

64. IPSAS 40: Public sector combinations was issued in 2017 with an effective date of 1 January 2019 and is not expected to be applicable to UNHCR in the foreseeable future.

Note 3
Assets and liabilities

3.1 Cash and cash equivalents and investments

Table 3.1.1

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Cash and cash equivalents		
Headquarters	61 809	56 693
Field offices	113 826	95 838
Short-term deposits	770 000	820 000
Total cash and cash equivalents before allowance	**945 635**	**972 531**
Allowance for doubtful bank balances	0	(181)
Total cash and cash equivalents	**945 635**	**972 350**

65. Cash required for immediate disbursement is maintained in cash and bank accounts. Balances in short-term deposit accounts are available at short notice.

66. Table 3.1.2 shows the purposes for which cash and cash equivalents were held. The Junior Professional Officers Fund, previously disclosed separately, is included in the Operational category.

Table 3.1.2

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Operational	846 464	922 543
Working Capital and Guarantee Fund	99 171	49 807
Total cash and cash equivalents	**945 635**	**972 350**

67. Table 3.1.3 shows short-term investments held by source of funding.

Table 3.1.3

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Staff Benefits Fund	130 432	69 974
Medical Insurance Plan	37 049	32 353
Operational	2 519	47 673
Short-term investments	**170 000**	**150 000**

68. As at 31 December 2017, investments amounted to $170.0 million ($150.0 million at 31 December 2016). This figure represents investments pertaining to the Staff Benefits Fund, the Medical Insurance Plan and a temporary surplus of cash holdings in operational activities that are not required for immediate use. The investments are placed in money markets with maturities ranging between 3 and 12 months.

3.2 Contributions receivable

69. The following tables summarize the composition of contributions receivable by donor type (table 3.2.1) and year due (table 3.2.2).

Table 3.2.1

(Thousands of United States dollars)

	31 December 2017	*31 December 2016 (reclassified)*
Current contributions receivable		
Governments	728 235	555 592
United Nations system organizations and funds	20 319	13 240
Other intergovernmental organizations	222 626	145 347
Private donors	84 656	86 578
Current contributions receivable before allowance	**1 055 836**	**800 758**
Allowance for doubtful accounts	(6 149)	(5 205)
Total current contributions receivable	**1 049 686**	**795 553**

	31 December 2017	*31 December 2016 (reclassified)*
Non-current contributions receivable		
Governments	186 622	89 983
United Nations system organizations and funds	3 123	1 225
Other intergovernmental organizations	52 770	31 125
Private donors	13 479	17 890
Total non-current contributions receivable	**255 994**	**140 223**
Discounting on non-current receivables	0	(1 508)
Total net non-current contributions receivable	**255 994**	**138 716**
Net contributions receivable	**1 305 680**	**934 269**

Table 3.2.2

(Thousands of United States dollars)

Year due	*31 December 2017*	*Percentage*	*Year due*	*31 December 2016*	*Percentage*
2016 and before	10 371	0.8	2015 and before	7 198	0.8
2017	171 405	13.1	2016	99 931	10.7
2018	867 910	66.5	2017	688 424	73.7
Total current contributions receivable	**1 049 686**	**80.4**		**795 553**	**85.2**
2019	165 633	12.7	2018	109 844	11.8
2020	87 303	6.7	2019	14 056	1.5
2021	3 058	0.2	2020	16 224	1.7
			2021	100	0
Less: discounting on non-current accounts receivable	0	0		(1 508)	(0.2)
Total non-current contributions receivable	**255 994**	**19.6**		**138 716**	**14.8**
Total contributions receivable	**1 305 680**	**100**		**934 269**	**100.0**

70. The movement of the allowance for doubtful accounts during 2017 was as follows:

Table 3.2.3

(Thousands of United States dollars)

	31 December 2016	*Write-offs*	*Increase*	*(Decrease)*	*31 December 2017*
Allowance for doubtful accounts	5 205	(3 104)	4 548	(501)	6 149

71. Contributions receivable are shown net of allowances for doubtful accounts. Allowances for doubtful accounts are recognized when there is objective evidence that a receivable is impaired. Allowances are recognized on the basis of historical collection experience and/or evidence indicating that the collection of a particular receivable is in doubt.

72. Contributions receivable were discounted in 2016 ($1.5 million). While the equivalent impact for 2017 is higher, it is not material, therefore no discounting has been performed on non-current contributions receivable as at 31 December 2017.

Table 3.2.4

(Thousands of United States dollars)

Contributions receivable	*Gross nominal amount*	*Allowances (impairment)*	*Net nominal amount*
Not overdue as at 31 December 2017	1 123 904	0	1 123 904
Overdue as at 31 December 2017 but not impaired	178 093	0	178 093
Less than 12 months overdue	745	(615)	130
More than 12 months overdue	9 087	(5 534)	3 553
Total	**1 311 829**	**(6 149)**	**1 305 680**

3.3 Inventories

73. UNHCR holds inventory items to be distributed to its beneficiaries in 210 warehouses (171 warehouses in 2016) worldwide and 7 global central warehouses. These are located in Accra, Amman, Copenhagen, Douala (Cameroon), Dubai (United Arab Emirates), Kampala and Nairobi. During 2017, the value of inventory items distributed totalled $324.2 million ($317.2 million — reclassified — in 2016) and is recorded as an expense in the statement of financial performance (see note 6.5).

74. The following tables show the composition of the inventory balance at year end (table 3.3.1) and the reconciliation of inventory changes during the year (table 3.3.2).

Table 3.3.1

(Thousands of United States dollars)

Inventory type	*31 December 2017*	*31 December 2016*
Bedding materials	68 996	70 996
Tents	61 188	47 944
Household items	58 284	49 275
Medical hygienic supplies and apparel	22 983	27 090
Construction and related equipment materials	15 431	19 990
Food and other supplies	3 681	3 310
Material consumables	566	168
Subtotal	**231 129**	**218 774**
Less: inventory valuation allowance	(5 120)	(14 954)
Total inventory	**226 009**	**203 820**

Table 3.3.2

(Thousands of United States dollars)

Inventory reconciliation	*2017*	*2016 (reclassified)*
Opening inventory as at 1 January	203 820	180 738
Cost of goods acquired[a]	338 143	353 245

Inventory reconciliation	*2017*	*2016 (reclassified)*
Cost of goods distributed and sold	(324 307)	(317 190)
Other adjustments	(1 481)	951
Change in inventory valuation allowance	9 834	(13 924)
Closing inventory as at 31 December	**226 009**	**203 820**

[a] Including in-kind contributions

75. The cost of goods distributed and sold includes $0.1 million related to the sale of inventory items.

76. Inventory quantities derived from the UNHCR inventory tracking system are validated by physical stock counts and adjusted as necessary.

77. The movement of the inventory valuation allowance is as follows:

Table 3.3.3

(Thousands of United States dollars)

	31 December 2016	*Increase (decrease)*	*31 December 2017*
Inventory valuation allowance	14 954	(9 834)	5 120

78. The inventory valuation allowance at 31 December 2016 reflected primarily an allowance for shelter for refugees, as the timing and scope of distribution and use were uncertain. The uncertainty was resolved during 2017 and the related valuation allowance was reversed.

79. At year-end, UNHCR held inventory items with a total value of $226.0 million net of valuation allowances. This is equivalent to approximately eight months' distribution made in 2017 (approximately eight months in 2016).

3.4 Other current assets

Table 3.4.1

(Thousands of United States dollars)

	31 December 2017	*31 December 2016 (restated)*
Prepayments	78 864	66 288
Value added tax receivables	23 576	13 500
Implementing partner receivables and advances	52 211	49 986
Staff advances	3 889	3 403
Deposits with suppliers	3 802	1 921
Other assets	10 331	7 229
Subtotal	**172 672**	**142 327**
Less: allowance for other current assets	(16 456)	(7 888)
Total other current assets	**156 216**	**134 440**

80. Prepayments are payments made in advance of the period to which the expense relates and include implementing partnership agreements, rent, education grants and travel. This figure includes advance payments of $48.8 million (2016: $50.0 million)

made to implementing partners as follows: (a) 2017 project agreements in respect of which the delivery of services was extended into the following year, for $24.3 million against 45 projects (2016: $21.7 million against 30 projects); and (b) first instalments paid prior to 1 January 2018 against 2018 budget year projects, for $24.5 million against 66 projects (2016: $28.3 million against 95 projects).

81. "Implementing partner receivables and advances" includes $27.3 million (2016 restated: $31.6 million) of refunds receivable for ineligible and underspent funding.

82. Reporting to UNHCR on advances to implementing partners in the amount of $167.0 million (2016: $123.8 million) is still pending (note 6.1). Based on past experience, the pending reports are expected to confirm implementing partner expenses of $151.3 million. The estimated refunds due to ineligibility and underspending of $16.7 million (2016 restated: $12.4 million) are recorded under implementing partner receivables and advances.

83. The amounts reported as implementing partner receivables and advances for 2016 are restated, as in previous periods such refunds were accounted for upon receipt of the related cash.

84. Staff advances consist primarily of advances towards rental subsidies, travel, medical expenses, salary and other staff entitlements.

85. The allowance for other current assets covers primarily valid value added tax receivables from a limited number of host countries where recovery is being actively pursued but has not been forthcoming.

3.5 Property, plant and equipment

86. The main asset classes for property, plant and equipment comprise land and buildings, major alterations and improvements to properties, motor vehicles, computer and telecommunications equipment, and generators.

Table 3.5.1

Property, plant and equipment, 2017

(Thousands of United States dollars)

	Land and buildings	*Major alterations and improvements*	*Motor vehicles*	*Generators*	*Computer and telecommunications equipment*	*Other equipment*	*Total*
Cost/valuation							
Opening balance at 1 January 2017	26 880	14 354	253 015	29 588	21 567	20 989	366 393
Additions — purchased	2 452	725	41 510	4 625	679	4 033	54 023
Additions — contributions in kind	–	–	–	–	65	–	65
Disposals	(1 441)	(157)	(27 508)	(2 062)	(3 277)	(1 613)	(36 058)
Closing balance at 31 December 2017	**27 890**	**14 922**	**267 017**	**32 151**	**19 034**	**23 409**	**384 424**
Accumulated depreciation							
Opening balance at 1 January 2017	(16 493)	(9 259)	(141 801)	(19 604)	(14 584)	(8 401)	(210 142)
Disposals	871	157	24 172	2 008	2 260	614	30 082
Depreciation charge for the year	(2 894)	(2 972)	(31 834)	(3 814)	(2 595)	(3 146)	(47 256)
Impairment	8	–	76	4	18	32	138
Closing balance at 31 December 2017	**(18 509)**	**(12 074)**	**(149 383)**	**(21 408)**	**(14 903)**	**(10 902)**	**(227 179)**
Net book value							
Opening balance at 1 January 2017	10 387	5 095	111 214	9 984	6 983	12 588	156 251
Closing balance at 31 December 2017	**9 382**	**2 849**	**117 634**	**10 743**	**4 131**	**12 506**	**157 245**

Table 3.5.2

Property, plant and equipment, 2016

(Thousands of United States dollars)

	Land and buildings	*Major alterations and improvements*	*Motor vehicles*	*Generators*	*Computer and telecommunications equipment*	*Other equipment*	*Total*
Cost/valuation							
Opening balance at 1 January 2016	25 654	11 442	236 850	27 127	19 344	14 430	334 847
Additions — purchased	2 019	2 912	37 430	4 167	3 720	6 815	57 063
Additions — contributions in kind	–	–	13	–	79	180	272
Disposals	(794)	–	(21 278)	(1 706)	(1 575)	(436)	(25 789)
Closing balance at 31 December 2016	**26 880**	**14 354**	**253 015**	**29 588**	**21 567**	**20 989**	**366 393**
Accumulated depreciation							
Opening balance at 1 January 2016	(14 000)	(7 033)	(130 783)	(17 848)	(12 464)	(6 485)	(188 613)
Disposals	528	–	19 284	1 607	1 562	381	23 362
Depreciation charge for the year	(3 021)	(2 226)	(30 911)	(3 376)	(3 682)	(2 300)	(45 517)
Impairment	–	–	610	12	–	4	625
Closing balance at 31 December 2016	**(16 493)**	**(9 259)**	**(141 801)**	**(19 604)**	**(14 584)**	**(8 401)**	**(210 142)**
Net book value							
Opening balance at 1 January 2016	11 654	4 409	106 067	9 279	6 880	7 945	146 234
Closing balance at 31 December 2016	**10 387**	**5 095**	**111 214**	**9 984**	**6 983**	**12 588**	**156 251**

3.6 Intangible assets

87. The movements in intangible assets during the year are as follows:

Table 3.6.1
(Thousands of United States dollars)

	Intangible assets under development	*Licences, software and other*	*Total 2017*
Cost			
Opening balance 1 January 2017	15 455	6 222	21 677
Additions	10 341	15	10 356
Transfers into service	(9 518)	9 518	–
Disposals	–	(92)	(92)
Closing balance 31 December 2017	**16 278**	**15 664**	**31 942**
Accumulated amortization			
Opening balance 1 January 2017	–	(3 002)	(3 002)
Amortization charge for the year	–	(2 732)	(2 732)
Disposals	–	28	28
Closing balance 31 December 2017	–	**(5 706)**	**(5 706)**
Net book value			
Opening balance 1 January 2017	15 455	3 220	18 675
Closing balance 31 December 2017	**16 278**	**9 958**	**26 235**

Table 3.6.2
(Thousands of United States dollars)

	Intangible assets under development	*Licences, software and other*	*Total 2016*
Cost			
Opening balance 1 January 2016	9 511	4 947	14 458
Additions	5 945	3 096	9 041
Disposals	–	(1 822)	(1 822)
Closing balance 31 December 2016	**15 455**	**6 222**	**21 677**
Accumulated amortization			
Opening balance 1 January 2016	–	(4 285)	(4 285)
Amortization charge for the year	–	(539)	(539)
Disposals	–	1 822	1 822
Closing balance 31 December 2016	–	**(3 002)**	**(3 002)**
Net book value			
Opening balance 1 January 2016	9 511	662	10 173
Closing balance 31 December 2016	**15 455**	**3 220**	**18 675**

88. The capitalized value of internally developed software excludes those costs related to research and maintenance.

89. "Intangible assets under development at 31 December 2017" represents five ongoing software development projects. The largest relates to the Profile Global Registration System (ProGres). The other ongoing development projects concern an upgrade (phase 2) of the finance and supply chain management modules of the enterprise resource planning system (Managing Systems, Resources and People (MSRP)), an upgrade of the UNHCR health information systems (Twine), an upgrade (phase 2) of the human resources and payroll modules of MSRP, and the second phase of the intranet enhancement project.

90. "Licences, software and other" represents primarily rights acquired and development costs incurred for the use of software. The cost of acquired licences and software is amortized over the licence or rights period or three years, whichever is shorter. The cost of internally developed software is amortized over five years from the date of deployment. By 31 December 2017, a total of $9.5 million had been capitalized for four internally developed software projects. These are: the enterprise resource planning system (MSRP) enhancement and upgrade of finance and supply chain management (phase 1); MSRP Human Resources and Payroll upgrade (phase 1); the intranet enhancement project (phase 1); and the biometric identity management system (BIMS).

3.7 Accounts payable and accruals

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Accounts payable		
Commercial suppliers	66 706	38 445
Implementing partners	24 281	28 519
United Nations system organizations	3 255	664
Other payables	4 663	3 099
Total accounts payable	**98 905**	**70 727**
Accruals		
Commercial suppliers	60 696	92 190
Implementing partners	4 055	13 009
United Nations system organizations	–	4 020
Other accruals	260	4 101
Total accruals	**65 011**	**113 320**
Total accounts payable and accruals	**163 916**	**184 047**

91. Accounts payable to commercial suppliers relate to amounts due for goods and services for which invoices have been received.

92. The accounts payable to implementing partners represent payments due against agreements with those partners for delivered services.

93. Other payables include amounts due to employees, volunteers, contractors and beneficiaries.

94. Accruals are liabilities for the cost of goods and services that have been received or provided to UNHCR during the year and have not been invoiced by suppliers as at the reporting date.

3.8 Employee benefits liabilities

Table 3.8.1

(Thousands of United States dollars)

	2017	*2016*
Employee benefits liabilities		
After-service health insurance	633 273	581 605
Repatriation benefits	103 110	86 152
Annual leave	69 963	66 948
Salaries and other staff benefits	10 923	10 479
Other separation benefits	1 095	1 010
Total employee benefits liabilities	**818 364**	**746 194**
Composition		
Current	92 714	88 324
Non-current	725 650	657 871
Total employee benefits liabilities	**818 364**	**746 194**

95. After-service health insurance is available in the form of continued membership in the United Nations Staff Mutual Insurance Society, an insurance scheme managed by the United Nations Office at Geneva, or through the Medical Insurance Plan for retired, locally recruited staff members who served at designated duty stations away from Headquarters and their eligible dependants.

96. Annual leave liabilities are calculated for the unused annual leave balance at the end of 2017. Separating staff are entitled to be paid for unused annual leave they may have accrued up to a maximum of 60 days.

97. Salaries and other staff benefits include short-term employee benefits such as salary and wage increments owing to the revision of salary scales, home leave, education grants and other benefits.

Actuarial valuation of post-employment liabilities

98. Liabilities related to after-service health insurance and repatriation benefits are calculated by an independent actuary. Actuarial assumptions are summarized as follows:

	Assumptions used in valuation of after-service health insurance obligations
Discount rate	2.35% (2016: 2.60%) — Each year's projected after-service health insurance cash flow is discounted at a spot rate for high-quality corporate bonds payable in each major currency appropriate for that maturity to arrive at a single weighted average of discount rates of three major currencies representing after-service health insurance liabilities, i.e., the United States dollar, the euro and the Swiss franc
Expected rate of medical cost increase	1.80% (2016: 2.70%) — Weighted average of health-care cost trend rates estimated for United States dollar, euro and Swiss franc claims reimbursement

Assumptions used in valuation of repatriation benefit obligations	
Discount rate	3.40% (2016: 3.75%) — The entitlements to repatriation benefits are determined in United States dollars. Each year's projected cash flow is discounted at a spot rate for high-quality corporate bonds payable in United States dollars appropriate for that maturity. The discount rate is the single equivalent rate that produces the same discounted present value
Expected rate of salary increase	2.20% (2016: 2.20%)

After-service health insurance liability

Table 3.8.2
(Thousands of United States dollars)

	2017		*2016*	
	Present value of future benefits	*Accrued liability*	*Present value of future benefits*	*Accrued liability*
Gross liability	1 309 472	923 059	1 161 933	847 740
Offset from retiree contributions	(406 762)	(289 786)	(360 533)	(266 135)
Net liability as at 31 December	**902 710**	**633 273**	**801 400**	**581 605**

99. The present value of future benefits is the discounted value of all benefits, less retiree contributions, to be paid in the future to all current retirees and to active staff from the date of expected retirement. The accrued liability represents the already earned portion of the present value of benefits that has accrued from the staff member's date of entry on duty until the valuation date. An active staff member's benefit is fully accrued when that staff member has reached the date of full eligibility for after-service benefits. Thus, for retirees and active staff members who are eligible to retire with benefits, the present value of future benefits and the accrued liability are equal. Liabilities are calculated using the projected unit credit method, whereby each participant's benefits under the plan are expensed as they accrue, taking into consideration the plan's benefit allocation formula.

100. The following table presents a reconciliation of opening and closing balances of the after-service health insurance liability:

Table 3.8.3
(Thousands of United States dollars)

After-service health insurance	*2017*	*2016*
Defined benefit obligation at 1 January	581 605	546 485
Service cost for year	26 852	26 415
Interest cost for year	15 045	15 496
Past service cost	–	1 450
Benefits paid (net of participant contributions)	(5 604)	(5 175)
Actuarial (gain)/loss	15 375	(3 066)
Defined benefit obligation at 31 December	***633 273***	***581 605***

101. The actuarial gains and losses are recognized as a direct charge or credit to reserves, while service and interest costs are recognized as an expense. The expense recognized in the statement of financial performance (statement II) in 2017 is $41.9 million ($43.4 million in 2016), as detailed in note 6.2.

102. The after-service health insurance liability for active and retired staff and their dependants who are or were funded by the United Nations regular budget is not included in these financial statements, as it constitutes a liability of the United Nations. The after-service health insurance expense for this group of staff is paid directly by the United Nations.

103. Since 1 January 2012, UNHCR has funded after-service health insurance liabilities for past service by charging 3 per cent of the net base salary of all Professional and General Service staff under the United Nations Staff Mutual Insurance Society health-care plan. From April 2017, the 3 per cent charge also includes General Service staff covered by the Medical Insurance Plan. From 1 January 2017, the funding level was increased to also cover the current year costs (service and interest). The amount funded as at 31 December 2017 is $117.4 million ($59.9 million in 2016). The amounts funded are not held by a trust that is legally separate from UNHCR and are thus not considered to be plan assets for the purpose of IPSAS 25.

Table 3.8.4

(Thousands of United States dollars)

After-service health insurance	*2017*	*2016*
Defined benefit obligation at 31 December	633 273	581 605
Funded as at 31 December	(117 356)	(59 871)
Unfunded defined benefit obligation at 31 December	**515 917**	**521 734**

104. The contribution of UNHCR in 2018 for after-service health insurance is estimated at $62.9 million.

Sensitivity analysis

105. On the basis of the actuarial assumptions used, the effect of an increase or decrease of one percentage point in the assumed medical cost trend rate on (a) the aggregate of the current service cost and interest cost component of net periodic post-employment medical cost and (b) the accumulated post-employment benefit obligation is shown in table 3.8.5.

Table 3.8.5

(Thousands of United States dollars)

	2017	*2016*
Effect on the aggregate of the current service cost and interest cost components of net periodic post-employment medical costs		
One percentage point increase	17 407	15 269
One percentage point decrease	(11 996)	(10 828)
Effect on year-end accumulated post-employment benefit obligation		
One percentage point increase	186 566	150 287
One percentage point decrease	(136 320)	(109 923)

Repatriation benefits

106. In line with the Staff Regulations of the United Nations and Staff Rules, staff members in the Professional category and other relevant staff members are entitled to repatriation grants and related relocation costs upon their separation from the organization, based on the number of years of service. The organization's actuarially determined accrued liability for repatriation grant and travel as at 31 December 2017 was $103.1 million ($86.2 million in 2016), as shown in the table below.

Table 3.8.6

(Thousands of United States dollars)

	2017		*2016*	
	Present value of future benefits	*Accrued liability*	*Present value of future benefits*	*Accrued liability*
Repatriation grant	83 839	57 306	76 796	55 641
Travel and shipment	45 804	45 804	32 938	30 511
Net liability as at 31 December	**129 643**	**103 110**	**109 734**	**86 152**

107. The accrued liability represents the already earned portion of the present value of repatriation benefits. The present value of future benefits is the discounted value of all expected benefits to be paid in the future, including the portion expected to be earned until the maximum entitlement is vested.

108. The following table presents a reconciliation of opening and closing balances of the repatriation liability:

Table 3.8.7

(Thousands of United States dollars)

Repatriation grant and travel	*2017*	*2016*
Net obligation at 1 January	86 152	82 419
Service cost for the year	4 076	4 023
Interest cost for the year	3 108	3 086
Past service cost	8 460	(60)
Benefits paid	(4 013)	(4 385)
Actuarial (gain)/loss	5 327	1 069
Total obligation at 31 December	**103 110**	**86 152**

109. The repatriation liability for staff whose salaries are funded by the United Nations regular budget is included in these financial statements, as the settlement of this liability will be discharged by UNHCR.

110. The aggregate of the current-year service cost and interest cost, and past service cost are recognized as expense in the statement of financial performance (statement II). Starting in 2017, the repatriation grants are classified as post-employment benefits rather than other long-term liabilities and actuarial gains and losses are recognized as a direct charge or credit to reserves. The impact of this change in 2016 was not material. For 2017, the expense recognized is $15.6 million ($8.1 million in 2016), as detailed in note 6.2.

Table 3.8.8

(Thousands of United States dollars)

Repatriation grant and travel	*2017*	*2016*
Total obligation at 31 December	**103 110**	**86 152**
Funded as at 31 December	(13 216)	(10 103)
Unfunded obligation at 31 December	**89 894**	**76 049**

111. The contribution by UNHCR in 2018 for repatriation benefits is estimated at $3.3 million.

United Nations Joint Staff Pension Fund

112. The Regulations of the United Nations Joint Staff Pension Fund state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

113. The financial obligation of UNHCR to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

114. During 2017, the Pension Fund identified that there were anomalies in the census data utilized in the actuarial valuation performed as at 31 December 2015. As such, as an exception to the normal biannual cycle, a roll forward of the participation data as at 31 December 2013 to 31 December 2016 was used by the Fund for its 2016 financial statements. An actuarial valuation as at 31 December 2017 is currently being performed.

115. The roll forward of the participation data as at 31 December 2013 to 31 December 2016 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 150.1 per cent (127.5 per cent in the 2013 valuation). The funded ratio was 101.4 per cent (91.2 per cent in the 2013 valuation) when the current system of pension adjustments was taken into account.

116. After assessing the actuarial sufficiency of the Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2016, for deficiency payments under article 26 of the Regulations of the Pension Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of the present report, the General Assembly had not invoked the provision of article 26.

117. During 2017, the contributions paid by UNHCR to the Pension Fund amounted to $112.8 million ($102.5 million in 2016). Expected contributions due in 2018 are approximately $120.6 million.

118. The United Nations Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board of the Fund on the audit every year. The Fund publishes quarterly reports on its investments, which can be viewed on its website at www.unjspf.org.

3.9 Other current liabilities

119. Other current liabilities include various payroll withholdings for third parties and contributions received by UNHCR before the agreements with donors were finalized. Upon finalization of the agreements, the amounts involved are recognized as revenue.

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Other payables	3 878	3 645
Contributions pending agreement	303	2 620
Total other current liabilities	**4 182**	**6 265**

3.10 Provisions

(Thousands of United States dollars)

Type of provision	*31 December 2017*	*31 December 2016*
Restoration of premises	–	1 499
Provisions for refunds of contributions	996	–
Legal claims	12 712	1 700
Total provisions	**13 708**	**3 199**

120. The provision for restoration at 31 December 2016 related mostly to medium-term leases and donated right-of-use premises with a contractual obligation to restore the premises to the original condition. The provision was released in 2017 following a determination that the administrative cost of recording minor individual items is not justified. Provisions for legal claims represent several cases where payment is probable and the amount of the settlement claim can be reliably estimated. UNHCR is in ongoing commercial disputes with several suppliers regarding the quantities delivered and prices charged for their services. These disputes are subject to negotiation and some are expected to be settled through arbitration, with uncertain outcome. The estimated additional cost to settle the agreements in arbitration is included as a legal provision.

3.11 Accumulated fund balances and reserves

(Thousands of United States dollars)

	Closing balance 31 December 2016 (restated)	*Surplus (deficit)*	*Transfer in*	*Transfer out*	*Closing balance 31 December 2017*
Annual Programme Fund					
Annual Programme Fund net of reserves	1 938 717	307 536	529 163	(499 030)	2 276 385
Operational reserve	10 000	–	–	–	10 000
New or additional activities — mandate-related reserve	20 000	–	–	–	20 000
Provision to increase Working Capital and Guarantee Fund	25 000	–	–	(25 000)	–
Total Annual Programme Fund	**1 993 717**	**307 536**	**529 163**	**(524 030)**	**2 306 385**
United Nations Regular Budget Fund	(428)	4 438	–	–	4 010
Junior Professional Officers Fund	14 910	871	25	(929)	14 877
Project Funds	205 788	10 255	27 187	(41 185)	202 045
Total accumulated fund balances and reserves	**2 213 987**	**323 100**	**556 374**	**(566 144)**	**2 527 317**

121. Fund balances represent the unexpended portion of contributions recorded as revenue that are intended to be utilized in future operational requirements of the organization.

122. Transactions for pillar 1: global refugee programme, and pillar 2: global stateless programme, are recorded in:

(a) The Annual Programme Fund;

(b) The Regular Budget Fund;

(c) The Junior Professional Officers Fund.

Transactions for pillar 3: global reintegration projects, and pillar 4: global internally displaced persons projects, previously allocated and reported as separate elements of accumulated fund balances, are consolidated into the Project Funds.

123. The operational reserve is utilized to provide assistance to refugees, returnees and displaced persons for which there is no provision in the programmes and projects approved by the Executive Committee. The reserve is maintained at not less than $10 million by replenishments from the Working Capital and Guarantee Fund.

124. The new or additional activities — mandate-related reserve is utilized to provide UNHCR with the budgetary capacity to accommodate unbudgeted activities that are consistent with the activities and strategies in the approved annual programme budget and the mandate of the Office. This reserve is constituted at $50.0 million for each financial period of the biennial programme budget, or at a different level if so decided by the Executive Committee. For the financial period 2017, within the approval of the total 2017 revised budget, the Executive Committee approved $20.0 million as the new or additional activities — mandate-related reserve.

3.12 Working Capital and Guarantee Fund

125. The Working Capital and Guarantee Fund is maintained by revenue from interest on invested funds, savings from prior-year programmes, voluntary contributions and

other miscellaneous revenue. It is utilized to replenish the operational reserve and to meet essential payments and guarantee obligations pending receipt of contributions pledges. An increase in the ceiling of the Fund from $50.0 million to $100.0 million was approved by the Executive Committee in October 2016. The funded portion within the ceiling increased from $50 million to $75 million effective 1 January 2017. A further increase of the funded amount to $100 million was approved by the High Commissioner and became effective on 9 March 2017.

(Thousands of United States dollars)

	31 December 2016	*Surplus (deficit)*	*Transfer in*	*Transfer out*	*31 December 2017*
Working Capital and Guarantee Fund	50 000	99 713	93 179	(142 892)	100 000

3.13 Medical Insurance Plan

(Thousands of United States dollars)

	31 December 2016	*Surplus (deficit)*	*Transfer in*	*Transfer out*	*31 December 2017*
Medical Insurance Plan	32 351	4 690	–	–	37 041

126. The Medical Insurance Plan was established by the General Assembly at its forty-first session in accordance with United Nations staff regulation 6.2. The Plan is maintained by premiums from field staff and proportional contributions from UNHCR, as well as by interest revenue. Expenses include claims processed during the year and associated administrative expenses. Coverage under the Plan is limited to locally recruited General Service staff members and National Professional Officers in the field.

3.14 Staff Benefits Fund

(Thousands of United States dollars)

	31 December 2017			*31 December 2016*		
	Liabilities	*Funding*	*Net fund balance*	*Liabilities*	*Funding*	*Net fund balance*
After-service health insurance	(633 273)	117 356	(515 917)	(581 605)	59 871	(521 734)
Repatriation	(103 110)	13 216	(89 894)	(86 152)	10 103	(76 049)
Annual leave	(69 963)	–	(69 963)	(66 948)	–	(66 948)
Other separation benefits	(1 593)	(141)	(1 734)	(1 508)	–	(1 508)
Total	**(807 939)**	**130 432**	**(677 507)**	**(736 213)**	**69 974**	**(666 239)**

127. The Staff Benefits Fund was established to record transactions relating to end-of-service and post-retirement benefits.

128. In accordance with the decision of the Standing Committee in June 2011, UNHCR started funding after-service health insurance liabilities for past service by charging 3 per cent of the net base salary of all Professional and relevant General Service staff under the United Nations Staff Mutual Insurance Society plan, with effect from 1 January 2012. From April 2017, following a decision of the Standing Committee in March 2017, the 3 per cent charge also includes General Service staff covered by the Medical Insurance Plan. In 2017, as presented in Executive Committee

paper EC/68/SC/CRP.7/Rev.1, UNHCR charged the current year cost of after-service health insurance (service and interest) to the annual budget for staff costs. The amount funded as at 31 December 2017 is $117.4 million ($59.9 million in 2016).

129. In addition, in accordance with the decision of the Standing Committee, $13.2 million has been reserved for funding repatriation benefits since 2012.

130. All of the funds and reserves referred to above were established by the Executive Committee or by the High Commissioner with the concurrence of the Executive Committee.

Note 4
Risk analysis

Credit risk

131. Credit risk is the risk of financial loss resulting from a counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises from cash and cash equivalents, investments and credit exposure to outstanding receivables. The carrying value of financial assets is the maximum exposure to credit risk.

Cash and investments

132. UNHCR risk management policies limit the amount of cash and investment holdings with any bank. In the identification and maintenance of the list of approved custodians, the risks of loss of principal in the event of counterparty default are mitigated through the application of risk management evaluations and bank risk rating grades. Surplus funds are placed with financial institutions worldwide with the greatest financial strength as measured by adequacy of capital and reserves. Geographical distribution and specific threshold limits by counterparty are taken into account. All surplus funds placements are concluded with financial institutions that are accorded the strongest credit ratings by the primary rating agencies.

Receivables

133. Contributions receivable are composed primarily of voluntary contributions due from Member States. Historically, there have been no material amounts that have remained uncollected. The risk has been assessed at $6.1 million and has been provided for, as indicated in table 3.2.3 on the contributions receivable.

Liquidity risk

134. UNHCR total cash and cash equivalent holdings amounted to $945.6 million as at 31 December 2017, compared with $972.4 million as at 31 December 2016.

135. UNHCR total cash and cash equivalents are composed of unencumbered operational cash holdings amounting to the equivalent of $846.5 million and encumbered non-operational cash holdings amounting to $99.2 million (see note 3.1).

136. The average balance of unencumbered operational cash holdings during 2017 represents a coverage of 2.6 months of expenses, compared with an average of 3.0 months for 2016.

137. The implementation of UNHCR programme and emergency activities is planned using cash flow forecasting related to actual and estimated pledged contributions and special appeals. Liquidity management procedures and monitoring are in place to ensure that sufficient liquid cash holdings are available to meet contractual liabilities as and when due. However, UNHCR is heavily dependent upon cash flows from a small number of major donors. Due to donor restrictions ("earmarking"), not all liquid assets are available to fund general operations in the event of delays in the receipt of

funds pledged, declining contributions or other unanticipated events that negatively impact liquidity. At 31 December 2017, the cash balance included $177.6 million and accounts receivable included an additional $675.0 million in respect of contributions that are earmarked for specific purposes in 2018 and beyond. Similarly, short-term future charges on net assets also include the obligation to liquidate commitments for the acquisition of goods and services, as well as capital commitments contracted but not delivered by 31 December (note 9.2). Typically, approximately 60 per cent of the total of such commitments at year-end are liquidated within the first three months of the subsequent period.

Interest rate risk

138. The organization earns interest revenue derived from surplus balances that it maintains in operational and non-operational cash holdings throughout the year. The implementation of the Office's programme and budget is not directly dependent on interest earnings.

Foreign exchange risk

139. The organization is impacted by the foreign exchange risk derived from direct cash flows throughout the year of contributions that are received primarily in 10 major currencies and payments that are made in 93 currencies worldwide. UNHCR manages currency risk at the multi-currency portfolio level by establishing actual and forecasted net cash flow positions by currency pairs that are highly correlated between receiving and paying currencies. Therefore, short-term hedging interventions are limited. There are no open contracts at year-end.

140. There is significant foreign exchange risk derived from pledges of voluntary contributions, specifically in the timing of the receipt of a pledge. UNHCR addresses the underlying uncertainty by using an established risk methodology to substantiate and validate the benefit of a high degree of diversification in its currency portfolio.

141. UNHCR mitigates foreign exchange impacts for each currency flow by matching cross-correlated currencies at the portfolio level. The automated cash flow forecasting tool embedded in UNHCR enterprise resource planning systems is a key component for tracking and optimizing forthcoming cash flows worldwide in underlying transactional modules.

142. UNHCR procures all major convertible currencies centrally at headquarters through standardized electronic trading platforms managing worldwide operational needs in approximately 130 countries.

Sensitivity analysis

143. The effect of a strengthening or weakening of the United States dollar against all other relevant currencies by 1 percentage point between 31 December 2017 and the date of settlement of monetary assets and liabilities is to increase or decrease net assets by approximately $10.9 million.

Note 5
Revenue

5.1 Voluntary contributions

Table 5.1.1

(Thousands of United States dollars)

	2017	*2016*
Monetary contributions		
Government	3 230 981	3 048 118
Other intergovernmental organizations	456 388	445 922
Private donors	354 042	293 702
United Nations system organizations and funds	83 694	110 631
Total monetary contributions (before adjustments)	**4 125 105**	**3 898 372**
Refunds to donors and other reductions in prior-year revenue	(11 431)	(11 691)
Discounting	1 508	(531)
Total monetary contributions	**4 115 182**	**3 886 150**
In-kind contributions		
Government	14 861	14 155
Private donors	17 045	21 589
United Nations system organizations and funds	1 015	15
Total in-kind contributions	**32 921**	**35 759**
Total voluntary contributions	**4 148 103**	**3 921 909**

144. Monetary contributions revenue is adjusted for refunds made to donors and reductions in prior-year revenue arising from underspends against earmarked funding, and to reverse the discounting of non-current accounts receivable applied in the prior year.

145. In-kind contributions represent donations of goods and, where material, services received that directly support operations. In-kind contributions generally include inventory items to be distributed to beneficiaries and the use of premises, utilities, transport and personnel. The amount of in-kind contributions in 2017 comprised $14.0 million for goods and software ($21.1 million in 2016) and $19.0 million for services ($14.7 million in 2016).

146. The total monetary contributions (before adjustments) of $4,125.1 million recorded in 2017 are further analysed below by year funded and by type of earmarking:

Table 5.1.2

Monetary contributions recognized

(Thousands of United States dollars)

By year	*2017*	*By year*	*2016*
2017	**3 101 368**	**2016**	**3 139 370**
Future years		**Future years**	
2018	828 673	2017	642 097

By year	*2017*	*By year*	*2016*
2019	134 306	2018	91 460
2020	58 344	2019	17 853
2021	2 414	2020	7 492
2022	0	2021	100
Subtotal	**1 023 737**		**759 003**
Total monetary contributions (before adjustments)	**4 125 105**		**3 898 372**

Table 5.1.3
Monetary contributions by type of earmarking

(Thousands of United States dollars)

Type of earmarking	*2017*	*2016*
Country/sector level	2 491 020	2 550 166
Regional/subregional level	718 052	601 072
Unrestricted	703 338	554 965
Pending earmarking	173 688	159 081
Thematic	39 008	33 088
Total monetary contributions (before adjustments)	**4 125 105**	**3 898 372**

5.2 Other revenue

(Thousands of United States dollars)

	2017	*2016 (reclassified)*
Sale of assets	9 003	6 631
Use of guest-house accommodation	4 205	3 791
Medical premium from Medical Insurance Plan participants	2 871	2 527
Use of office space and parking garage	635	688
Miscellaneous revenue	4 051	2 536
Total other revenue	**20 766**	**16 172**

147. Sale of asset represents the gains from the sale of assets. The corresponding amount for 2016 is revised, as some of the amount pertaining to the sale of asset ($5.6 million credit) was presented under operating expenses (note 6.6) in 2016.

Note 6
Expenses

6.1 Implementing partnership expense

148. The total of expenses incurred by implementing partners during the financial period amounted to $1,512.7 million ($1,420.8 million in 2016) and is analysed by type of implementing partner and by pillar, as follows:

Table 6.1.1

(Thousands of United States dollars)

Pillar	*Government*	*International non-governmental organizations*	*Local non-governmental organizations*	*United Nations system organizations*	*Total expenses*	
					2017	*2016*
Refugees	162 024	553 857	389 653	107 953	1 213 487	1 144 872
Stateless	830	1 556	4 459	2 129	8 974	7 745
Reintegration	5 434	20 088	15 185	1 483	42 190	30 559
Internally displaced persons	18 036	115 708	105 322	9 027	248 094	237 621
Total	**186 325**	**691 209**	**514 619**	**120 592**	**1 512 745**	**1 420 796**

149. Included under United Nations system organizations is $87.2 million with the United Nations Office for Project Services ($69.3 million in 2016) and $21.3 million with the United Nations Volunteers ($25.1 million in 2016) for the provision of personnel to support operations. Included under local non-governmental organizations is $52.7 million ($48.9 million in 2016) with partners for fundraising and awareness-raising.

150. The expense through partnerships includes payments of $39.1 million ($34.6 million in 2016) to international partners representing the UNHCR contribution towards projects and headquarters support costs for the monitoring, administration and oversight of projects implemented in the field. The contribution is not expected to cover the full cost of the international partners' headquarter support costs.

151. Implementing partnership expenses by rights group across pillars are shown in the table below:

Table 6.1.2

(Thousands of United States dollars)

Rights group	*Global refugee programme*	*Global stateless programme*	*Global reintegration projects*	*Internally displaced persons projects*	*Total expenses*	
					2017	*2016*
Basic needs and essential services	455 140	10	13 271	100 886	569 307	584 511
Community empowerment and self-reliance	86 170	179	11 241	26 975	124 564	111 676
Durable solutions	37 425	3 163	7 487	5 301	53 376	60 496
Fair protection processes and documentation	181 202	2 008	33	3 508	186 751	156 139
Favourable protection environment	38 776	1 953	293	20 214	61 237	53 070
Headquarters and regional support	94 826	196	–	–	95 022	75 464
Leadership, coordination and partnerships	19 902	3	249	20 825	40 979	28 411
Logistics and operations support	126 050	678	2 469	16 341	145 538	140 729
Security from violence and exploitation	66 500	59	3 192	19 701	89 451	85 761
Expenses reported by implementing partners against current-year agreements	**1 105 991**	**8 250**	**38 235**	**213 751**	**1 366 226**	**1 296 257**
Report pending receipt or processing	127 523	975	5 784	32 719	167 002	123 811
Expense incurred against prior-years' agreements	(20 027)	(251)	(1 829)	1 624	(20 483)	728
Total expense	**1 213 487**	**8 974**	**42 190**	**248 094**	**1 512 745**	**1 420 796**

152. The amount of $1,512.7 million reported as implementing partner expenses (2016: 1,420.8 million) includes $167.0 million (2016: 123.8 million) already paid to implementing partners in respect of which reporting is pending receipt or processing by UNHCR. The estimated refunds for underspending are recorded within implementing partner receivables and advances (note 3.4).

153. The total amount of funds recovered from implementing partners in 2017 for unjustified expenses for prior years was $3.8 million ($1.7 million in 2016). These were determined during the UNHCR review of audit reports of projects implemented by partners.

154. Interest and miscellaneous revenue amounting to $2.5 million ($1.6 million in 2016) were received from implementing partners for the year. Furthermore, a total of $0.01 million ($0.02 million in 2016) was written off during 2017 against amounts receivable from the implementing partners.

6.2 Salaries and employee benefits

(Thousands of United States dollars)

	2017	*2016 (reclassified)*
Salary	501 579	473 829
Pension	115 995	102 024
Allowances	89 464	71 497
Temporary assistance	53 173	55 522
After-service health insurance	41 897	43 361
Education grant	25 978	25 233
Reassignment	24 200	27 441
Medical insurance — current	23 089	24 266
Repatriation grant	15 644	7 049
Appointment	7 301	6 783
Reimbursement of income tax	5 639	5 376
Termination	5 543	5 599
Evacuation	4 828	5 266
Annual leave accrual	3 015	5 347
Home leave	1 940	1 574
Actuarial (gain)/loss on repatriation liability	–	1 069
Other personnel costs	10 435	12 793
Total salaries and employee benefits	**929 722**	**874 030**

155. After-service health insurance and repatriation grant include the annual service and interest costs and the past service costs attributable to changes in the level of benefits that became effective during the year. Beginning in 2017, repatriation grants are considered to be post-employment benefits for the purpose of IPSAS 25 and the related actuarial gain or loss is recorded as a direct charge to fund balances and reserves. No restatement of the 2016 amount was made, as the impact is immaterial.

156. Included in other personnel costs are $5.7 million for staff rental subsidy (2016: $5.2 million), $4.0 million for rest and recuperation (2016: $3.3 million) and $2.2 million for overtime payments (2016: $2.3 million). In 2017, it also included an offset of $4.2 million reflecting the capitalization of internal staff cost in the development of intangible assets.

6.3 Cash assistance to beneficiaries

(Thousands of United States dollars)

	2017	*2016*
Basic needs (multipurpose cash)	348 131	381 958
Repatriation needs	22 409	145 832
Total cash assistance to beneficiaries	**370 540**	**527 790**

157. The reduced repatriation needs in 2017 reflect the higher assistance provided in 2016 primarily in relation to a surge in the number of refugees returning to Afghanistan.

158. This category of expenses was renamed in 2017 from "Individual and family payments to beneficiaries" to "Cash assistance to beneficiaries".

6.4 Contractual services

(Thousands of United States dollars)

	2017	*2016 (reclassified)*
Direct services for beneficiaries	78 859	43 792
Transport, cargo handling and warehouse management	72 119	45 772
Advertising, marketing and public information	42 140	32 180
Construction contracts	32 698	33 823
Professional services	22 406	11 491
Data processing	22 123	22 757
Affiliated workforce and individual contractors	14 338	7 456
Individual consultants	12 941	14 812
Translation, printing and publication	9 175	6 564
Other services	54 924	68 289
Total contractual services	**361 724**	**286 935**

159. As a result of the revision to the Office's chart of accounts in 2017, the restated contractual services for 2016 are $5.9 million lower than the previously reported amount. The main changes are the inclusion of the cost of individual consultants ($14.8 million) previously presented separately, and the exclusion of seminars and workshops ($11.0 million), now reported under other expenses (note 6.9) and certain transport costs ($16.3 million) now included in the cost of inventory distribution (note 6.5). Other amounts previously presented as joint United Nations activities and within other services are still presented within contractual services, but under different subcategories such as direct services for beneficiaries and translation, printing and publication expenses.

160. "Direct services for beneficiaries" includes the provision of medical care, accommodation and other services where UNHCR contracts with service providers on behalf of persons of concern in lieu of cash assistance to beneficiaries. Other services include various specialized services of a technical, analytical and operational nature provided through contractual arrangements.

6.5 Supplies and consumables for beneficiaries

(Thousands of United States dollars)

	2017	*2016 (reclassified)*
Distributed from inventory		
Household items	107 431	99 683
Bedding materials	92 444	91 918
Medical, hygienic supplies and apparel	50 923	53 082
Tents	39 475	38 431
Construction and related equipment materials	26 714	24 402
Basic food	3 443	4 923
Other supplies and equipment	3 778	4 751
Total distributed from inventory	**324 207**	**317 190**
Other costs of supplies and distributions		
Other supplies and consumables distributed	24 850	25 583
Inventory obsolescence and write-off	(9 008)	13 752
Total supplies and consumables for beneficiaries	**340 050**	**356 525**

161. As a result of the revision to the Office's chart of accounts in 2017, the restated supplies and consumables for beneficiaries for 2016 are $31.2 million higher than the previously reported amount. The main changes are the inclusion of the inventory obsolescence and write-off expense ($18.8 million) previously presented under other expenses (note 6.9), and certain transport costs ($16.3 million) previously included in contractual services (note 6.4). These changes are offset in part by the redesignation of several items to equipment and supplies (note 6.7).

162. Other supplies and consumables distributed include expenses pertaining to consumable items that are not considered inventory. These include medical items amounting to $12.2 million (2016: $15.4 million), construction equipment amounting to $3.3 million (2016: $3.3 million), basic food amounting to 3.3 million (2016: $0.3 million) and household items amounting to $0.8 million (2016: $4.6 million).

163. Inventory valuation allowance expense in 2016 primarily reflects a write-down for shelter for refugees, as the timing and scope of distribution and use were uncertain. The uncertainty was resolved during 2017 and the related valuation allowance was reversed.

6.6 Operating expenses

(Thousands of United States dollars)

	2017	*2016 (reclassified)*
Rental and maintenance of premises	65 652	57 070
Security	40 835	31 146
Communications	28 993	26 690
Fuel and lubricants	24 636	27 520
Utilities	12 364	11 077
Bank charges	8 955	9 231
Rental and maintenance of vehicles and equipment	7 203	8 676

	2017	*2016 (reclassified)*
Guest houses	6 028	5 001
Insurance	3 735	3 626
Other operating expenses	12 726	8 427
Total operating expenses	**211 127**	**188 464**

164. As a result of the revision to the Office's chart of accounts in 2017, the restated operating expenses for 2016 are $10.4 million higher than the previously reported amount. The main changes are the inclusion of the fuels and lubricants ($27.5 million) previously presented separately, offset in part by the removal of warehouse rental expense ($14.5 million) to contractual services (note 6.4). Amounts previously reported under the subcategory "maintenance" are now shown within the subcategories "rental and maintenance of premises", "security" and "guest houses" respectively. Amounts pertaining to the maintenance of equipment are now presented within contractual services (note 6.4), and the amounts related to the sale of equipment are presented in other revenue (note 5.2).

6.7 Equipment and supplies

(Thousands of United States dollars)

	2017	*2016 (reclassified)*
Equipment and related supplies	44 680	36 746
General office supplies	12 214	10 223
Furniture and fixtures	5 871	7 285
Property, plant and equipment transferred or disposed	5 525	(242)
Vehicles and workshop supplies	4 150	3 511
Software and licences	2 341	2 356
Land and building	1 546	2 900
Alterations and improvements	242	235
Total office supplies	**76 569**	**63 013**

165. As a result of the revision to the Office's chart of accounts in 2017, the equipment and supplies expenses presented for 2016 are $12.9 million higher than the previously reported amount. The main change is the reclassification of various items mainly from operating expenses (note 6.6) but also from supplies and consumables for beneficiaries (note 6.5) to better reflect the nature of these expenses. The subcategories within equipment and supplies were also reorganized.

166. Expenses recognized under equipment and supplies include the purchase of items below their capitalization thresholds.

6.8 Depreciation, amortization and impairment

(Thousands of United States dollars)

	2017	*2016*
Depreciation of property, plant and equipment	47 256	45 517
Amortization of intangible assets	2 732	539
Impairment of property, plant and equipment	(138)	(625)
Total depreciation, amortization and impairment	**49 849**	**45 430**

6.9 Other expenses

(Thousands of United States dollars)

	2017	*2016(reclassified)*
Seminars and workshops	14 539	11 023
Bad debt expense	8 617	1 849
Training	7 500	6 905
Miscellaneous expenses	(4 895)	(990)
Total other expenses	**25 760**	**18 787**

167. As a result of the revision to the Office's chart of accounts in 2017, the restated other expenses for 2016 are $4.7 million lower than previously reported. The main changes are the removal of the inventory valuation allowance ($13.3 million) to supplies and consumables for beneficiaries (note 6.5) and certain miscellaneous expenses ($3.7 million) to contractual services (note 6.4) and operating expenses (note 6.6). These reductions are offset in part by the inclusion of seminars and workshop expense ($11.0 million) reclassified from contractual services (note 6.4).

6.10 Foreign exchange gains and losses

(Thousands of United States dollars)

	2017	*2016*
Unrealized (gain)/loss	(69 223)	13 679
Realized (gain)/loss	(24 551)	(211)
Total foreign exchange (gains) and losses	**(93 774)**	**13 468**

168. In 2017, the unrealized exchange gains resulted primarily from the impact of the weakening United States dollar on open receivables denominated in euros at 31 December 2017. In 2016, the unrealized exchange losses were primarily the result of the impact of the strengthening United States dollar on open euro receivables at 31 December 2016.

Note 7
Statement of comparison of budget and actual amounts

169. As required by IPSAS 24: Presentation of budget information in financial statements, reconciliation is provided between the actual amounts on a comparable basis, as presented in statement V, and the actual amounts, as shown in the financial accounts identifying separately any basis, timing and entity differences which are described below:

(a) **Basis differences**: the budget of UNHCR is formulated on a modified cash basis and the financial statements are prepared on an accrual basis, thereby giving rise to a basis difference;

(b) **Timing difference** occurs when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for UNHCR for the purpose of comparison between budgets and actual amounts;

(c) **Entity differences** occur when the budget does not include programmes or entities that are part of the main entity for which the financial statements are prepared. In UNHCR, the budget does not include activities relating to the Working Capital and Guarantee Fund and the Medical Insurance Plan;

(d) **Presentation differences** are due to differences in the format and classification schemes adopted for presentation of the statement of financial performance (statement II) and the statement of comparison of budget and actual amounts (statement V). The UNHCR budget in statement V is presented on an operational and geographical basis, while expenses are presented by nature of expense in the statement of financial performance (statement II).

170. A reconciliation between the actual amounts on a comparable basis in the statement of comparison of budget and actual amounts (statement V) and the actual amounts in the statement of financial performance (statement II) for the year ended 31 December 2017 is presented below:

(Thousands of United States dollars)

	2017
Actual amount on comparable basis (statement V)	**4 083 352**
Basis differences	
Property, plant and equipment, and intangible assets	(76 404)
Depreciation, amortization and impairment of property, plant and equipment, and intangible assets	49 849
Inventory	66 520
Commitments (excluding those dealt with elsewhere under entity or basis differences)	(94 239)
Implementing partner expenditure current year	(20 061)
Employee benefits funding	(17 553)
Elimination of inter-segment expenses	(41 318)
Implementing partnership refunds and adjustments for prior-year projects	(40 085)
Bad debt expense	9 204
Inventory obsolescence	4 041
Other	(6 978)
Total basis differences	**(167 023)**
Entity differences	
Working Capital and Guarantee Fund	3 244
Medical Insurance Plan	8 396
Staff Benefits Fund	14 871
Total entity differences	**26 512**
Total expense	**3 942 840**

171. Explanations of material differences between the original budget and the final budget and the actual amounts are presented in section D of chapter IV above.

Note 8
Segment reporting

8.1 Statement of financial position by segment as at 31 December 2017

(Thousands of United States dollars)

	Programmes	*Projects*	*Special funds and accounts*	*Total*
Assets				
Cash and cash equivalents	737 358	109 106	99 171	945 635
Investment	2 519	–	167 481	170 000
Contributions receivable	1 305 680	–	–	1 305 680
Inventories	155 454	70 555	–	226 009
Property, plant and equipment	140 522	16 723	–	157 245
Intangible assets	25 998	238	–	26 235
Other assets	134 606	20 782	829	156 216
Total assets	**2 502 136**	**217 403**	**267 481**	**2 987 021**
Liabilities				
Accounts payable and accruals	150 350	13 557	9	163 916
Employee benefits	8 846	1 579	807 939	818 365
Provisions	13 649	59	–	13 708
Other liabilities	4 020	162	–	4 182
Total liabilities	**176 866**	**15 357**	**807 948**	**1 000 171**
Net assets	**2 325 270**	**202 046**	**(540 467)**	**1 986 850**
Fund balances and reserves				
Accumulated fund balances and reserves	2 325 270	202 046	–	2 527 317
Working Capital and Guarantee Fund	–	–	100 000	100 000
Medical Insurance Plan	–	–	37 041	37 041
Staff Benefits Fund	–	–	(677 507)	(677 507)
Total fund balances and reserves	**2 325 270**	**202 046**	**(540 467)**	**1 986 850**

8.2 Statement of financial performance by segment for the year ended 31 December 2017

(Thousands of United States dollars)

	Programmes	*Projects*	*Special funds and accounts*	*Inter-segment*	*Total*
Revenue					
Voluntary contribution	3 816 851	331 252	–	–	4 148 103
United Nations regular budget	47 755	–	–	–	47 755
Transfers	(355 587)	355 587	–	–	–

	Programmes	*Projects*	*Special funds and accounts*	*Inter-segment*	*Total*
Interest revenue	(853)	13	10 737	–	9 896
Other revenue	49 466	55	12 647	(41 401)	20 766
Total revenue	**3 557 631**	**686 906**	**23 384**	**(41 401)**	**4 226 520**
Expenses					
Implementing partner expenses	1 222 901	289 845	–	–	1 512 745
Salaries and employee benefits	765 707	114 418	59 372	(9 776)	929 722
Cash assistance to beneficiaries	350 853	19 687	–	–	370 540
Contractual services	343 735	23 301	14	(5 326)	361 724
Supplies and consumables for beneficiaries	165 388	174 542	119	–	340 050
Operating expenses	203 923	30 161	3 259	(26 216)	211 127
Equipment and supplies	66 996	9 656	1	(84)	76 569
Travel expense	57 979	6 736	38	–	64 753
Depreciation, amortization and impairment	43 448	6 401	–	–	49 849
Other expenses	23 857	1 903	–	–	25 760
Total expenses	**3 244 786**	**676 651**	**62 805**	**(41 401)**	**3 942 840**
Foreign exchange (gains)/losses	–	–	(93 774)	–	(93 774)
Surplus/(deficit) for the year	**312 845**	**10 255**	**54 353**	–	**377 454**

8.3 Long-lived asset additions by segment

(Thousands of United States dollars)

	Programmes	*Projects*	*Total*
2016 asset additions			
Property, plant and equipment	47 868	9 467	57 335
Intangible assets	7 530	1 511	9 041
Total	**55 398**	**10 978**	**66 376**
2017 asset additions			
Property, plant and equipment	46 556	7 532	54 088
Intangible assets	10 256	100	10 356
Total	**56 812**	**7 632**	**64 444**

172. Some internal activities lead to accounting transactions that create inter-segment revenue and expense in the financial statements. The organization's share of medical insurance premiums in respect of the Medical Insurance Plan created inter-segment amounts in 2017 of $9.8 million ($8.6 million in 2016) and the vehicle rental mechanism under global fleet management created $31.5 million in inter-segment amounts in 2017 ($29.0 million in 2016). Consistent with 2016, inter-segment transfers were recorded either at cost or, under the vehicle rental mechanism, at values designed to ensure sufficient capital was available to fund reinvestment plans for replacement vehicles.

173. Earmarked contributions are recorded to the applicable fund/pillar upon receipt. Unearmarked and broadly earmarked contributions are initially recorded under pillar 1

(global refugee programme) and are subsequently transferred to other pillars, as needed, to cover budgetary requirements. Accumulated fund balances under programmes, projects and special accounts represent the unexpended portion of contributions that are carried forward to be utilized in future operational requirements.

Note 9
Commitments and contingencies

9.1 Leases

174. Obligations for operating leases are as follows:

(Thousands of United States dollars)

	2017	*2016*
Obligations for operating leases		
Under 1 year	26 696	20 242
1–5 years	17 962	25 597
Beyond 5 years	4 170	3 999
Total obligations for operating leases	**48 828**	**49 838**

175. As at 31 December 2017 and 2016, UNHCR did not have any finance leases.

9.2 Commitments

176. At 31 December 2017, UNHCR had commitments for the acquisition of goods and services, as well as capital commitments contracted but not delivered, as follows:

(Thousands of United States dollars)

	2017	*2016*
Inventory	100 054	199 047
Services	94 777	63 804
Supplies	73 485	42 288
Instalments due against partnership agreements	43 523	26 115
Property, plant and equipment	43 399	28 842
Operating expenses	34 133	29 707
Consultants	2 141	1 479
Other commitments	2 259	1 644
Total open commitments	**393 771**	**392 926**

177. Commitments are not recognized as expenses in the statement of financial performance (statement II) on the basis of IPSAS 1: Presentation of financial statements, and on the basis of the delivery principle. Such commitments will be settled from the unexpended portion of contributions after receipt of the related goods and services.

9.3 Legal or contingent liabilities

178. Voluntary contribution revenue includes revenue that, under the terms of the contribution agreement, must be spent within a specified period and for an agreed purpose ("earmarked"). Where UNHCR has clearly not fully spent an earmarked

contribution by the agreed deadline, such shortfalls are accounted for as a reduction in revenue and disclosed in table 5.1.1.

179. As at 31 December 2017, potential underspending has been identified for certain expired contributions for which a final determination of spending status will be established in 2018. To the extent that these ultimately indicate underspending, UNHCR may be required to make a refund to the donor. However, it is not possible to reliably estimate the amount of the potential refunds. Therefore, they represent contingent liabilities as at 31 December 2017. The maximum extent of the refund obligation is estimated at approximately $4.6 million.

180. As at 31 December 2017, there were 55 outstanding cases relating to various claims from staff members or former staff members pending United Nations Dispute Tribunal judgments against UNHCR with a total potential financial compensation amounting to approximately $3.5 million. None of these cases are resolved. Furthermore, there are 24 unresolved third-party claims against UNHCR, totalling $16.4 million. The total cost, should all staff and third-party claims be decided against UNHCR, is therefore estimated to be $19.9 million, of which $2.0 million is expected to be settled and is included in provisions.

181. UNHCR is also involved in ongoing commercial disputes with several suppliers regarding the prices and quantities charged for their services. These disputes are subject to negotiation and some are expected to be settled through arbitration, with uncertain outcome. While the best estimate of additional cost to settle the agreements in arbitration has been accounted for as legal provisions and disclosed in note 3.10, Provisions, there are additional contingent liabilities for possible claims of a maximum of approximately $46.8 million.

Note 10
Losses, ex gratia payments and write-offs

182. UNHCR financial rule 10.5 provides that ex gratia payments may be approved by the Controller for an amount not exceeding $5,000, when such payments are considered desirable in the interest of the organization. Ex gratia payments in excess of $5,000 require the approval of the High Commissioner. A statement of ex gratia payments was submitted to the Board of Auditors and to the Executive Committee with the financial statements. For 2017, three ex gratia cases were approved, totalling $13,874.

183. Financial rule 10.6 provides that write-offs up to $10,000 owing to the loss of cash or of the book value of accounts receivable may be authorized by the Controller, while the write-off of amounts in excess of $10,000 requires the approval of the High Commissioner. A statement of all amounts written off was submitted to the Board of Auditors. During 2017, irrecoverable contributions receivable and other current assets, including amounts due from implementing partners, resulted in write-offs amounting to $3.8 million ($21.5 million in 2016), consisting primarily of donation reductions from two donors totalling $3.6 million.

184. In 2017, 38 fraud cases (24 cases in 2016) were reported, with a total amount of $1.23 million ($0.14 million in 2016), including misappropriation of the organization's funds by staff, partners or vendors, falsification of documents, misuse of assets and submission by staff of fraudulent claims for health insurance or various entitlements. As at the end of the year 2017, there were also 42 open fraud allegation cases (51 cases in 2016) for which investigations were ongoing, and their outcome will be reported, as appropriate, once the determination is concluded.

Note 11
Related party disclosures

185. The key management personnel of UNHCR are the High Commissioner, the Deputy High Commissioner, the two Assistant High Commissioners and the Controller, as they have the authority and responsibility for planning, directing and controlling the activities of UNHCR.

(Thousands of United States dollars)

	Number of posts filled	*Compensation and post adjustments*	*Entitlements*	*Pension and health plans*	*Total remuneration*	*Outstanding advances against entitlements*	*Outstanding loans*
Key management personnel, 2017	5	1 224	135	254	1 613	–	–
Key management personnel, 2016	5	1 220	190	253	1 663	–	–

186. The table above summarizes aggregate remuneration paid to key management personnel, which includes net salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, personal effect shipment costs and employer pension and current health insurance contributions.

187. Key management personnel also qualify for post-employment benefits at the same level as other employees. These benefits cannot be reliably quantified. They are also ordinary participants in the Pension Fund.

188. UNHCR relies on implementing partnerships and national fundraising partners for its operational activities. The transactions with these parties are at arm's length.

Note 12
Events after the reporting date

189. The reporting date for the Office of the United Nations High Commissioner for Refugees is 31 December of each year. At the date of signing these financial statements, 31 March 2018, no material events, favourable or unfavourable, had occurred since 31 December 2017 that would have impacted the present statements.

190. The financial statements were approved on 31 March 2018 and submitted to the Board of Auditors for opinion. None other than UNHCR has the authority to amend these financial statements.